

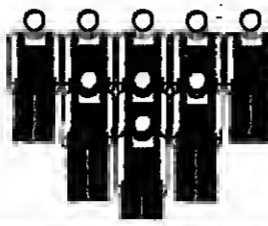
Chp 1/15/96

FINANCIAL TIMES

15



Face recognition
Seeing through disguises
Technology, Page 10



Downsizing
It doesn't work
Personal view, Page 12



LA's Getty Center
Competing with Mickey Mouse
Page 4

Value creation
Spotting the winners
Page 7

World Business Newspaper

TUESDAY MAY 14 1996

French state to sell further 6% of its Renault stake

The French state is to sell a further 6 per cent of Renault, taking its stake in Europe's third-largest carmaker to below 50 per cent. The symbolic and unexpected move confirms an acceleration in the country's privatisation programme. The announcement emphasised that the sale was only a first step preceding a wider placing, allowing the company "the same capacity for strategic manoeuvre" as its rivals. However, analysts suggested the decision to sell only 6 per cent represented a tacit admission that a wider placing would be difficult in the short term. Page 16; Peugeot signals expansion, Page 8; Stance toughened on Valeo, Page 17

Germans start 'warning' strikes: German postal workers stopped sorting letters and waste collectors left rubbish untouched in "warning" protests against a plan to freeze public sector wages. Unions threatened more action this week. Page 2

37,000 walk out in Norway: Nearly 37,000 Norwegian electrical engineering workers went on their first strike for 73 years in a dispute that will affect subcontractors who produce components for European car manufacturers. Page 3

Spain to offer 10% of Repsol: The Spanish government is to sell its 10 per cent stake in Repsol, the energy, gas and chemicals group, at the earliest opportunity. Page 15; Repsol boosts profits, Page 16

Bulgaria shuts 67 companies: The Bulgarian government decided to close 67 loss-making companies with the loss of around 29,000 jobs, following a collapse of confidence in the country's currency. More jobs are to go when other state companies are restructured. Page 14; Biting the bullet, Page 2

Compensation for EU beef farmers urged: The European Union's agriculture commissioner Franz Fischler is to propose that the EU pay its farmers Ecu50m (\$800m) in compensation for the drop in beef prices since the start of the crisis over BSE - or mad cow disease. Page 8

Up to eight dead on Everest: Climbers from three expeditions were feared dead in treacherous weather on Everest. Four were from a New Zealand expedition struck by a blizzard. Three Indian climbers and one from a Taiwanese group are also believed to have died.

Japanese invest in Hollywood: Marubeni, the Japanese trading company, and Toho, the largest Japanese film producer which makes the Japanese series of Godzilla films, announced plans to invest up to ¥13bn (\$123.8m) in films produced by the Paramount movie studio. Page 15

Mayhew steps up pressure for ceasefire: Sir Patrick Mayhew (left), the UK Northern Ireland secretary, stepped up pressure on the IRA to restore its terrorism ceasefire as London considered a plan for a group of churchmen and lawyers to defuse sectarian tensions during this year's marching season in Ulster. Sir Patrick is also seen likely to announce that former US senator George Mitchell will chair potentially the most important negotiations on the province's future - those dealing with Dublin's role in Northern Ireland's affairs. Page 14

Japan's current account surplus shrinks by nearly a quarter in the fiscal year to March, but the rate of decline slowed significantly. Page 6

Smog fight moves to LA gardens: The fight against pollution in Los Angeles moved to the garden as retailers were offered "smog credits" for any petrol-powered lawnmower or leaf blower they scrapped. Page 14; Diesel limits exceeded, Page 8

50 feared drowned in Pakistan: About 50 people were feared drowned when a bus fell from a bridge into an irrigation canal in the southern Pakistani province of Sindh, the state radio reported.

Beijing talks seek to avert trade war: US assistant trade negotiator Lee Sands began talks aimed at averting a trade war over alleged Chinese abuses of intellectual copyright agreements. Page 5

T&N hit by asbestos appeals: T&N, the UK engineering group, admitted that attempts to cap its asbestos liabilities had suffered a setback in the US courts. Page 15

Selection of HK chief faces delay: A senior Chinese official suggested the selection of Hong Kong's first chief executive, the head of the post-colonial administration after next year's handover to China, could be delayed by several months. Page 6

STOCK MARKET INDICES	
New York: S&P 500	6,535.14 (+12.0)
Dow Jones Ind. Av.	5,233.11 (+10.2)
NASDAQ Composite	1,213.01 (+10.2)
Europe and Far East	
FTSE 100	2,798.2 (-15.2)
Nikkei	21,171.82 (-248.3)

GOLD	
New York: London	339.14 (332.4)
London: New York	339.14 (332.4)

DOLLAR	
New York: London	1.5115 (1.5115)
London: New York	1.5115 (1.5115)

LIBOR	
3-month	5.12%
6-month	5.12%
9-month	5.12%
12-month	5.12%

OTHER RATES	
US 3-month Interbank	5.12%
US 10 yr Govt	6.5%
France 10 yr Govt	6.5%
Germany 10 yr Govt	6.5%
Japan 10 yr Govt	6.5%

NORTH SEA OIL (Average)	
Brent	\$18.42 (19.23)
Ticker	Y 105.4

Missile merger will create Europe's largest guided weapons company

Matra and BAe agree £1bn joint arms venture

By David Buchan in Paris and Bernard Gray in London

British Aerospace and Matra, the French defence group, yesterday merged their missile businesses in a deal to create a £1bn (\$1.52bn) joint venture which will be Europe's largest guided weapons company. At the same time Mr Jean-Luc Lagardère, chairman of Matra's parent company, said BAe would join Lagardère group in its bid to buy the Thomson-CSF defence electronics business, due to be privatised by the French government later this year.

Lagardère also hinted that other companies, including General Electric Company of the UK and Daimler-Benz of Germany were ready to join it in bidding for Thomson-CSF. In a separate move yesterday, the French government unveiled a six-year defence programme designed to scrap conscription and give France smaller but fully-professional armed forces. The programme will involve expenditure of FF7516bn (\$100.28bn) on defence equipment in 1997-2002, much less than proposed in the previous multi-year plan, and will result in cuts



French defence minister Charles Millon talks to the press after the French cabinet approved president Jacques Chirac's plan to create smaller, fully professional armed forces by 2002

or delays in some projects. Lagardère announced the conclusion of more than three years of negotiations to create a new Franco-British company to be called Matra BAe Dynamics. With 6,000 employees and a £1bn turnover, the company will have a British chairman - Mr John Weston, the current head of BAe Dynamics - and a French chief executive. BAe is to pay Lagardère between £50m and £110m to compensate the French company for its smaller order book. Each company will have a 50 per cent shareholding in the new venture. Lagardère said BAe had agreed to join its consortium to bid for Thomson-CSF, the defence electronics arm of the Thomson group. Mr Noel Forgeard, head of Matra Defence, went further at a Paris press conference to claim that Lord Weinstock of GEC had indicated he was ready "financially and industrially" to join in the Matra bid for Thomson.

Ministers back plan for Airbus restructuring

European aircraft consortium to become single corporate entity and broaden its product range

By Frederick Stüdemann in Berlin

Ministers from Germany, France, Spain and the UK yesterday approved a controversial plan to turn Airbus Industrie, the European aircraft consortium, into a single corporate entity. Mr Norbert Lammert, state secretary in the German economics ministry, said the proposed change to the corporate structure "must take place as quickly as possible". However, he said the final form of the company was still to be resolved.

Airbus now shares out work proportionally among its four shareholders - Daimler-Benz Aerospace (Dasa) of Germany, Aérospatiale of France, Casa of Spain and British Aerospace. This arrangement has led to the company being less cost efficient than Boeing of the US. The decision, announced at an international air show in Berlin, clears the way for Airbus to become more competitive and broaden its range, officials said. The UK has been the strongest advocate of turning Airbus, the world's second largest aircraft maker, into a limited company. Mr Tim Egar, the British industry minister, said: "There is a common recognition of the need to reduce the cost base for the company." A single company, he said, would be able to raise debt and, possibly, equity.

Irish auditors win right to challenge 300 accountants

By Jim Kelly in London

Auditors in Ireland yesterday won a judicial review of a government decision to let a previously unregistered body of 300 accountants carry out company audits. Lawyers for leading accountancy bodies told the High Court in Dublin that the tiny Institute of Incorporated Public Accountants could not regulate its members properly as its last published accounts showed assets of only £196 (\$297).

The action, by Ireland's four leading accountancy bodies who represent 15,000 qualified professionals, followed a decision by Mr Pat Rabbitte, minister for commerce and technology, to grant audit registration status to the IIPA. The government's response will be closely watched by accountants throughout Europe, who could face extra competition from the body. Leading accountants say the newly registered auditors could practise elsewhere in the EU if they passed national "top up" examinations. The registration allows IIPA members to do audit work for the first time. Accountants do not have to be qualified to practise, but auditors must be certified by a registered body before they can sign off a company's accounts. Mr Niall Deasy, president of the Institute of Chartered Accountants in Ireland, told members in a letter that he was "astounded" by Mr Rabbitte's decision, which had been "made without any prior consultation." Mr Brendan Dennehy, vice-president of the IIPA, described the attitude of the chartered body as "nothing short of arrogance and pomposity. It's a cartel situation. It's the old boys club." "As far as regulation goes we were among the first bodies in Ireland to bring in outside people to our disciplinary committees," said Mr Dennehy, who practises in Limerick. He added that the finances of the IIPA would be transformed by the decision to grant audit registration status as "people have been sitting on the fence" before paying subscriptions. He said that as a result of the decision the IIPA's finances would improve by more than £100,000. Mr Dennehy said the IIPA was founded in 1981 and had applied for the right to audit companies 15 years ago. He said the institute's exams had been vetted by the National Council of Education Awards and were "ahead of" those set by chartered accountants. The Department of Enterprise and Employment said the application of the IIPA for audit status was properly vetted. The last body to receive audit registration was the Certified Public Accountants in 1954. A spokesman for the department said: "The decision will be defended."

Apple to halve PC models in bid to halt sales slide

By Louise Kehoe in San Jose

Apple Computer, the troubled personal computer industry pioneer, will halve the number of models it offers as part of a restructuring programme aimed at returning to profit.

Mr Gil Amelio, who took over as chairman three months ago after Mr Michael Spindler was ousted, said that Apple had to "get back to work".

"Apple is at a crossroads. We can return to prosperity or begin a long slow decline into irrelevancy. The difference will depend on how well the organisation comes together behind united goals," Mr Amelio, former chief executive of National Semiconductor, said.

The group last month reported a \$740m loss in its second quarter to March 29, on sales down 18 per cent to \$2.2bn. Last week, it notified retailers of flaws in several of its top selling models and offered to repair tens of thousands of computers free of charge and replace others.

Apple's organisation had been "too fuzzy", Mr Amelio said. He intends to create four hardware divisions - each responsible for its own financial performance - and software, service and Internet divisions.

A new division would be dedicated to "building bridges" between Apple's Macintosh and other types of computers. Apple would halve the number of Macintosh models it offers, to about 40, over the next year. Six versions of the Macintosh software operating system will be consolidated into one.

The most radical change, already indicated, would see Apple "aggressively license" Macintosh software to other computer manufacturers.

Mr Amelio said Apple was working with International Business Machines on the development of a Macintosh compatible laptop computer.

This could represent a breakthrough in Apple's efforts to persuade leading PC manufacturers to adopt Macintosh software. He acknowledged that Apple needed the continued support of software

Continued on Page 14

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Self-winding chronometer

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Ernie Els is one of the top young talents in today's game thanks to the skill of his technique and the regularity of his swing. Qualities he finds in his Omega, whether on the golf course or in his daily life. "Trust your judgement, trust Omega" - Ernie Els.

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Internet: <http://www.omega.ch>

EU sets sights on deal with Mexico

By Caroline Southey in Brussels

European Union foreign ministers yesterday agreed a negotiating mandate for a trade pact with Mexico, but stopped short of allowing creation of a free trade area (FTA) between the EU and Mexico in the medium term.

The mandate had been held up by objections from some member states, notably France, that the EU was about to enter into another wide-ranging free trade agreement.

The EU's policy on FTAs has stirred controversy recently, with foreign ministers delaying for five months the terms of a deal with South Africa because of fears that the proposed FTA threatened EU agricultural interests.

EU agricultural ministers last week called for a more cautious approach towards the negotiation of FTAs.

The mandate for a deal with Mexico allows for negotiations on a sector-by-sector basis. But decisions on opening up the agriculture sector will have to be agreed unanimously by the EU ministers, while other sectors can be agreed by a qualified majority.

Britain, Sweden and Spain rejected an earlier proposal which stipulated that deals on all sectors had to be agreed unanimously. British officials said the fear was that Mexico would reject the terms of such a deal.

Mr Michel Barnier, the French European Affairs minister, said the EU "won't go to free trade but we can go very close". Mr Hervé de Charette, the French foreign minister, said the aim was for the "progressive liberalisation of exchanges between the two sides".

Mr Klaus Kinkel, German foreign minister, said a deal was very important for the EU because Mexico was an important industrial partner. "The EU has every reason to take responsibility in this matter," he said.

Beijing talks seek to avert sanctions

By Tony Walker in Beijing

Mr Lee Sands, the US assistant trade negotiator, began talks in Beijing yesterday aimed at averting a trade war over alleged widespread Chinese abuses of intellectual copyright agreements. But there was no indication of progress in the discussions, which were expected to continue for several days.

The US has said it will target \$2bn-worth of Chinese exports with punitive sanctions if China fails to live up to undertakings to curb counterfeiting of information and entertainment products. Beijing has

threatened to retaliate.

The US has set a 90-day deadline from May 15 for compliance. This follows a similar pattern to a dispute last year, which resulted in an 11th-hour compromise.

US officials and business representatives expect sanctions to be averted again this year but they also recognise that difficult Sino-US relations on a range of issues, including Taiwan and human rights, are complicating matters.

China continues to deny vigorously it has been negligent in enforcing a February 1995 agreement to curb counterfeiting of such items as compact

discs, videotapes and computer software. "China has fully implemented the Sino-US intellectual property rights (IPR) agreement signed last year," the official Xinhua news agency asserted last night.

Quoting Mr Wang Huapeng, director of the Copyright Administration, Xinhua said: "China has made breakthroughs in nationwide crackdowns on piracy and has already contained the once-rampant infringement of IPR in some areas."

But US officials say the situation has worsened since last year, with Chinese factories

continuing to produce millions of pirate compact discs, CD-Roms and computer software. The US entertainment and information industry estimates that counterfeiting cost it \$2.3bn in 1995.

Mr Sands is known to believe China will not live up to undertakings to curb intellectual property rights abuses without pressure.

China claims to have closed at least six pirate CD production lines recently, but US officials are sceptical. They want to see more evidence of Chinese efforts to combat piracy before lifting the sanctions threat.



Lee Sands: doubts intellectual property rights pledges

High-tech diagnosis for Cuba's ills

Canadians will help Havana to export biotechnology products, writes Pascal Fletcher

The economic crisis that descended on Cuba after the collapse of the former Soviet Union paralysed many factories, sharply depressed living standards and forced many Cubans to swap their cars for bicycles and their tractors for oxen.

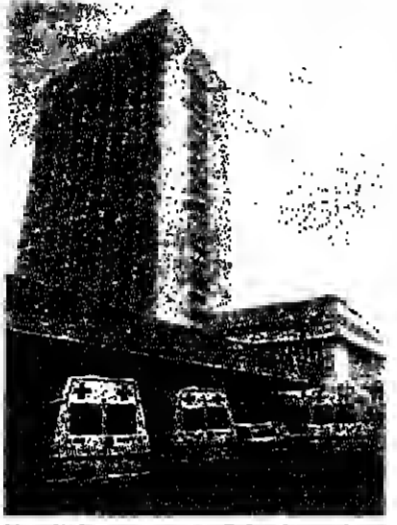
But it did not stop President Fidel Castro's government from forging ahead with an ambitious - some critics would say unrealistic - programme to build a hard-currency export sector in high-tech medical and biotechnology products.

Now a Canadian company, York Medical, has joined in to help develop and sell Cuban biotechnology products in Canada and Europe, an initiative its executives believe will be unaffected by recent US legislation aimed at discouraging foreign investment on the island.

Cuba has granted the Toronto company licences to test and market human and veterinary pharmaceuticals produced by the island's state-run biotechnology industry, which foreign experts describe as one of the most scientifically advanced in the developing world.

The deal includes transfer of technology, clinical trials in specialised Canadian biotechnology centres and training and participation of Cubans in the development, marketing and selling of the products. "This is a whole package," York Medical's chairman, Mr David Allan, said.

Blessed with the Mr Castro's encouragement, Cuba's biotechnology sector has received hundreds of millions of dollars of state funding during the last decade. Cuban research centres have developed products ranging from anti-meningitis and hepatitis vaccines to "bloodclot busters" and diagnostic kits. This has led to a striking anomaly:



Hospital in Havana: Cuba is pushing high-tech medicine

Cuba is far from being self-sufficient in food but it is a leading producer of interferons and monoclonal antibodies.

But despite earlier marketing deals with foreign companies, the Cuban biotechnology sector appears to have had only limited success in generating a viable, sustained export business.

The main known exports up to now have been sales, mostly in Latin America, of an anti-meningococcal meningitis Group B vaccine and a cholesterol-lowering drug, PPG. Cuban-produced interferons are sold to China. According to Cuban figures, revenues from Cuban pharmaceutical and biotechnology exports now total more than US\$100m a year and have earned more than US\$500m since 1988.

York Medical hopes to provide Cuba with an entry to the biotechnology markets of the developed world. It aims to tackle major weaknesses such as the Cuban lack of experience in key areas, including quality control, regulatory licensing, financing and above all marketing and selling.

The Cuban products have sometimes had difficulty getting independent validation and have faced widespread scepticism. "If you're a doctor in Europe, you're not immediately going to try something from Cuba, if someone's life is at risk," one foreign expert said.

Nevertheless, Cuba's biotechnology research has attracted interest from European and US scientists and even from such big US pharmaceutical companies as Merck, Eli Lilly and Bristol-Myers Squibb, although the US embargo on Cuba rules out sales to the US.

But Cuba's biggest challenge is to get its products to market, not least because, as one investment analyst put it, biotechnology development requires "incredibly deep pockets".

"A very hard look has to be taken at all of the products to assess what their real value is in the short-term," said Mr Peter Scott, chairman of Beta Gran Caribe, an Anglo-Spanish managed investment company specialising in Cuba. Beta is negotiating investments in at least one Cuban biotechnology product.

Mr Allan said York Medical planned to develop some 15 Cuban products. Clinical trials had already commenced on a first group, described as "low risk, early to market" items.

These included Heberquimasa, which dissolves blood clots; an epidermal growth factor incorporating monoclonal

anti-bodies to diagnose and treat tumours; Duramle, an antibiotics testing system; Dermofural, a sugar-cane extract used as an anti-bacterial and anti-fungal cream; and Udertan, produced from red mangroves and used to disinfect cow udders.

Mr Allan said five separate 50-50 joint ventures had been formed for separate products, each linking York Medical to a specific Cuban research centre.

The company did not believe its initiative would be affected by US measures in March to tighten the US economic embargo against Cuba. The latest US measures threaten legal action and sanctions against foreign companies and their executives who "traffice" in formerly US-owned property expropriated after the 1959 Cuban Revolution.

"The point is that the US bill is aimed at those dealing in confiscated property. In our case, the intellectual properties and scientific institutions we are dealing with have only come into existence over the last decade or so," Mr Allan said.

York Medical had received support and financing from the Canadian International Development Agency and the Medical Research Council of Canada. "We wrapped ourselves in the Canadian flag," Mr Allan said.

The Canadian government strongly opposes the latest US sanctions on Cuba.

York Medical groups a number of private investors, including the government of Canada's Saskatchewan Province, where some of the clinical trials are being held. Additional funds for the trials would be raised through successive waves of equity financing, or, if necessary, a public issue.

WORLD TRADE NEWS DIGEST

Mobil to expand Saudi venture

Mobil of the US and Saudi Basic Industries Corporation (Sabic) are to spend \$2bn expanding their petrochemicals joint venture at Yanbu, on the Red Sea coast of Saudi Arabia. Output will more than double, making Yanbu one of the largest petrochemical complexes in the world.

This will be the first big expansion of the project since it began production in 1986. Mobil, which will contribute \$1bn of the cost, claimed the expansion would make Yanbu the lowest cost ethylene producer in the world.

The partners will add a second ethylene cracker, doubling ethylene output to 1.6m tonnes. The new plant will convert ethylene more efficiently, producing 30 per cent more derivative products than the old. Output will consist of 535,000 tonnes of polyethylene, 410,000 tonnes of ethylene glycol and 360,000 tonnes of polypropylene. Construction of the new plant is expected to start next year. Tony Jackson, New York

TRW sues rival over satellite

TRW, the US aerospace group awarded patent protection for its design of a satellite-based global phone system last year, yesterday filed a lawsuit against ICO Global Communications, a subsidiary of the London-based Inmarsat organisation.

The suit seeks an injunction against ICO Global's development of its proposed Inmarsat-P satellite-based personal communications system, alleging the system infringes TRW's patent.

TRW is the system contractor for Odyssey, a competing \$8bn worldwide satellite-based cellular system due to begin operations in 1999. The other main competitor is Iridium, a consortium headed by Motorola of the US, which is already building its system.

The patent at the heart of the TRW suit relates to a method for providing worldwide satellite-based cellular communications using satellites in a medium-earth orbit, low-powered pocket telephones, and "gateways" to terrestrial telephone systems. Paul Taylor, London

Nestlé stake in Thai group

Nestlé, the Swiss food group, has agreed in principle to buy a majority stake in Danish Dairy Industries, one of Thailand's largest dairy products producers and distributors.

Terms were not disclosed but under the terms of the preliminary deal, Nestlé will take a 60 per cent stake in Danish Dairy, with the remaining 40 per cent staying in the hands of the Thai Dairy Group, led by Mr Vahsi Purswan, a Thai-Indian businessman.

Nestlé said the deal would be completed shortly and become effective on July 1.

Danish Dairy is strong in the food service sector, supplying many of Thailand's fast-food chains. Nestlé has a large presence in the Thai dairy market. Ted Bartacke, Bangkok

China and Taiwan in jet project

China and Taiwan are to join a major multinational project to build 100-seat regional passenger jets, officials said yesterday. The US\$2bn project will be finalised next month after China selects a partner - either Boeing of the US or Air International Regional, an Anglo-French aircraft maker, said Mr Jack Sun, chairman of Taiwan Aerospace.

Aviation Industries of China, which devised the project two years ago, would have about a 45 per cent stake, Mr Sun told reporters. A Singapore group would take 20 per cent, Taiwan up to 10 per cent, and the western partner the rest. AP, Taipei

Why he can look forward to living twice as long as he would have a century ago.

Today, no one thinks twice about somebody living to the ripe old age of 80. A hundred years ago, however, it was a rarity.

With improvements in water quality, nutrition and hygiene, life expectancy began to rise. But the biggest strides came near the turn of the century when huge advancements in medicine gave doctors the ability to treat and even cure many life-threatening diseases.

Hoechst has contributed to modern medicine for over a century.

Hoechst (pronounced Herkst) was there, joining forces with leading scientific researchers like Robert Koch, Emil von Behring and Paul Ehrlich. The discoveries of these Nobel Prize-winning scientists initiated the age of bacteriology, immunology and chemotherapy.

Hoechst pioneered the development of tuberculin, insulin, and antitoxins for diphtheria and



As the turn of the century the average life expectancy was 40 years. Today in Germany, for instance, women live to be around 80 and men 75.

tetanus, as well as antibiotics to fight infectious diseases. Not to mention important medications that have contributed to the successful treatment of heart disease and strokes.

At Hoechst, we're proud of our history. And to be sure, the relentless pursuit of medical advances has caused life expectancy to rise.

But just as typhoid, cholera and bacterial infections endangered lives in the past, diseases such as AIDS, cancer and other killers threaten us today.

Which is why our pharmaceutical division Hoechst Marion Roussel spends about DM 2 billion a year on pharmaceutical research and development.

If history is any indication, it's money well spent. For our future. And for yours.

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NEWS: ASIA-PACIFIC

Japan's current account surplus declines

By William Dawkins in Tokyo

Japan's enhanced appetite for imports caused its current account surplus to contract by nearly a quarter in the fiscal year to March...

imports to Japan more expensive.

If the exchange rate holds at this level, around ¥106 to the dollar, the rate of improvement in the surplus will continue to slow...

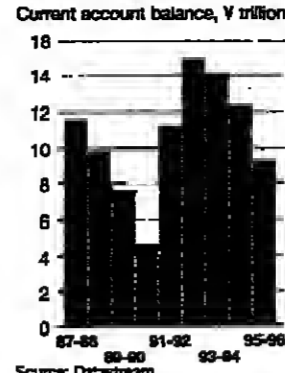
even though the yen's fall against the dollar since last summer.

The surplus in manufactured goods, meanwhile, fell by 17.5 per cent to ¥11,628bn, the third year of decline.

of and contributor to the rise in Tokyo share prices.

In the final month, March, they bought a net ¥1,095bn, the second largest monthly purchase recorded.

Japan Current account balance, ¥ trillion



smaller rise in loans made by foreign banks to Japan and an increase in lending by Japanese banks abroad.

New Malaysia futures exchange

Malaysia has signalled its determination to develop as a regional financial hub rivaling Hong Kong and Singapore by granting an operating licence for the country's second financial futures exchange.

The Malaysia Monetary Exchange (MME), which will open later this month, will trade interest rate and currency futures...

Sharma faces crucial choice

By Shirez Sidhra in New Delhi

All eyes are on Indian President Shankar Dayal Sharma. The 77-year-old scholar and veteran of Congress party governments is expected to decide by the weekend which political grouping should be invited to form India's next government in the wake of the general election that has delivered a hung parliament.

forced to form coalitions. But the most recent crisis when a president was required to intervene was in the 1993 election, when the Congress party of Mr Rajiv Gandhi emerged as the largest single party but well short of a majority.

It was only when Mr Gandhi declined to form a government that Mr Venkataraman, the then president, allowed the National Front led by Mr V.P. Singh, 30 days to choose a leader and ultimately to form a government.

only one able to form a coalition capable of governing.

"Mr Sharma has shown in recent years that he is not content to be a mere rubber-stamp. He is not afraid to take bold steps when they are required," says a senior official in the president's office.



President Shankar Dayal Sharma faces difficult task, say constitutional experts

Mr K.K. Venugopal, Supreme Court lawyer and constitutional expert, agrees and adds: "The test is really who is the leader capable of providing a stable government."

Naming of HK chief executive may be delayed

By John Ridding in Hong Kong

The selection of Hong Kong's first chief executive, the head of the post-colonial administration after next year's handover to China, could face a delay of several months, according to comments by a senior Chinese official.

ians from the Commonwealth.

In a forceful speech, Mrs Chan said Chinese leaders must show "more co-operation" over the transition.

Jail escape angers Indonesians

By Manuela Saragosa in Jakarta

The escape from jail of one of Indonesia's most notorious white-collar criminals has outraged Indonesians but surprised few, as details emerged of his break-out and privileged treatment in prison.

yet to find him but police have arrested 10 prison wardens and security guards working at the Jakarta jail where he was being held until his escape just over a week ago.

sector, saddled with high levels of bad debt. Mr Oetoyo Oesman, justice minister, was not informed of Mr Tansil's break-out until three days after it occurred on May 4, too late to warn port and airport authorities.

tions which are plaguing our society." Speculation is rife about whether any officials colluded in Mr Tansil's jailbreak. It is not clear how prison wardens could have acted independently if they released a high-profile inmate whose trial only two years ago was so highly publicised.

Weary civilians return as the rebuilding of Jaffna begins

Amal Jayasinghe visits the once rebel-run town in northern Sri Lanka

When last year the Tamil Tigers ruled Jaffna, the battle-wary capital of northern Sri Lanka, it was an ever-growing monument to dead rebels while those who survived took credit for running an administration with cash from the very government they fought.

Jaffna was the epicentre of the separatist struggle of the Liberation Tigers of Tamil Eelam (LTTE) for decades but in 1994 for defending a state bank of more than \$500m, allegedly changed his hair style, grew a beard, paid bribes to prison wardens and escaped in a taxi.

In peace and see that our children go back to school." Teachers, medical staff and other government employees were returning to work and most of the public utilities could be restored early, Mr Pathmanathan said.



"Shelter is the main problem at the moment," he said, adding that more centres were being set up to distribute food to some 300,000 people who have already returned to the area.

Jubilant Sri Lankan soldiers late last year march through the suburbs of rebel-held Jaffna

The LTTE has also admitted in recent statements that they lost territory to the advancing army but say they will keep up a guerrilla war to establish a separate state called Eelam in Sri Lanka's north east.

to the embattled region were taken over by the guerrillas, who sold them.

The government minister responsible for rehabilitation, Mr Nimal Siriपालa de Silva, admits that there are bottlenecks in sending supplies to the region because land routes to Jaffna are still blocked by the Tigers.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus data for the vacancy rate indicator are in India, form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

Table with multiple columns for different countries (USA, Japan, Germany, UK, France, Italy) and rows for various economic indicators like Retail sales, Industrial production, Unemployment rate, and Composite leading indicator, spanning from 1985 to 1995.

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WPIA. Retail sales volume data from national government sources except Japan and Italy (retail sales deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only).

Handwritten signature or stamp at the bottom of the page.

Value creation shows British companies outperforming French and Germans

Judgment of company 'success' shifts focus

By Philip Coggan, Markets Editor

Successful UK companies tend to have a focused business strategy and significant shareholdings by management...

However, several well known companies are shown in the study to have delivered poor returns over the long term...

The study, written by the college's fellow in finance, Dr Rory Knight, uses the concept of value creation to judge companies...

Previous studies, in the US and UK, have used the arbitrage differences between the capital raised and the current value as their key criterion...

ton study uses the ratio between the two, called the value creation quotient (VCQ)...

This makes a significant difference. Shell, which has added the second most value in nominal terms...

Small companies dominate the top of the table, although two FT-SE 100 index constituents, Vodafone and Reuters...

DFS was founded by Sir Graham Kirkham in 1969 and both manufactures and retails furniture. Although Sir Graham has sold a substantial proportion of his holding...

not conglomerates; none have been 're-engineered'; all have significant share participation schemes...

In contrast, conglomerates do not come out so well, with Tradigrug House languishing at the bottom of the list...

Among the worst performers, British Steel and British Aerospace, by this measure, have turned every £1 of capital...

The worst sectors of all, in terms of value creation, are water and building contractors...

Templeton also has compared the value creation record of the largest British companies, relative to those in France and Germany...

Best and worst long-run performers

Table with 4 columns: Rank, Company Name, VCQ, MVA(m), REV (£m). Lists top and bottom ten performers.

VCQ: value creation quotient; MVA: market value added; REV: realised accounting value

Source: Templeton College, Oxford

performing the German firms across the board" the report says. This probably reflects the Anglo-Saxon preoccupation with shareholder value.

The table also shows what Templeton refers to as "realised economic value" (REV). This compares a business's cashflow after taxes with its weighted average cost of capital...

suggested that REV is a better indicator of future value than earnings per share, sales growth and pure cash flow. Companies with negative REV's, says Dr Knight, "should consider whether they want to make further investments in the lines of business they're in."

Value Creation among Britain's top 500 companies. Dr Rory Knight, Templeton College, Oxford. 01865 733422. £55.

Budget assumes EMU in 1999

By John Kampfner, Chief Political Correspondent

The government is preparing Budget plans on the assumption that European monetary union will go ahead in 1999 as planned amid concern that its possible effects on sterling could further limit scope for tax cuts.

As the governing Conservative party reacted angrily yesterday to warnings by Mr Kenneth Clarke, the chancellor of the exchequer, that he may not be able to deliver significant cuts, ministers believe the financial markets will be especially susceptible to signs of fiscal irresponsibility in the run-up to a single currency.

Conservative backbenchers fear a shortfall in revenues, which has led to borrowing running above this year's forecast of £22.5bn (£34.20bn), could destroy chances of a tax-cutting Budget, seen by many as vital to the party's slim election prospects.

The acknowledgment that further financial prudence will be required to protect the pound as EU member states prepare for a new exchange rate mechanism by the end of the year will alarm Tory Euro-sceptics. It appears to run counter to the prime minister's strongly held view that a single currency will not be in place by 1999 and will not affect the party's general election strategy.

However, the Irish government, which takes over the EU presidency in July, believes the ERM plans, which envisage a significantly stronger role for a European central bank, will be in place by December.

The British have made clear they will not take part in any revived ERM or in the single currency if it is operational in 1999.

Ministers will be warred during the forthcoming public spending negotiations that revenue shortfalls and the single currency concerns will require greater cuts than envisaged if scope for tax cuts is to be found.

UK NEWS DIGEST

Settlement offer 'inherently unfair'

The Paying Names' Action Group, formed by Lloyd's of London investors to represent those who have paid their losses at the insurance market, yesterday said the latest settlement offer was inherently unfair and "needs to be addressed urgently".

Meanwhile administrators to the insolvent Kweim insurance companies, subsidiaries of the failed London United Investments, are to set aside a further £200m for creditors, bringing the total so far to £920m.

Jim Kelly, Accountancy Correspondent

Airport passenger numbers rise

Passenger numbers at leading UK airports increased 1.9 per cent last month compared with the April 1995 figure. It was announced yesterday. A total of 7.6m passengers passed through BAA's seven British airports.

The timing of Easter this year meant much of the pre-Easter traffic was pushed into March. This meant that there was a 9 per cent dip in European charter passenger numbers last month, while European scheduled traffic fell 1 per cent. But North Atlantic numbers rose 3 per cent last month and domestic and Irish routes had increases of 9 per cent.

Meanwhile, a new carrier, World Airlines, took to the skies today. Operating BAe 146 jets, the airline is flying 44 flights a week between London City Airport and Amsterdam.

Exchange data to be shared

The UK Treasury and the US Securities and Exchange Commission have agreed formally to share information about companies which are traded on stockmarkets in both countries. Under the accord, the SEC and the London Stock Exchange will notify one another if either regulator suspends or delists one of the 220 companies traded in both New York and London.

Nicholas Denton, London

Call for handgun ban

The opposition Labour party yesterday called for a ban on handguns and a comprehensive tightening of restrictions on ownership of all firearms in the wake of the shooting of 16 primary school children in Dunblane, Scotland two months ago. In evidence to the inquiry into the massacre, Labour is suggesting a ban on handguns and rifles above .22 inch calibre, tighter certification rules for any gun and raising the age limit for ownership from 14 to at least 18.

British Gas 'furious' over price controls

By David Lascelles, Resources Editor

British Gas yesterday rejected a pricing package that would cut domestic bills by 10 per cent a year.

The group threatened to force a monopoly inquiry if the package suggested by Ofgas, the industry regulator, was imposed on Transco, British Gas's pipeline arm.

A monopoly inquiry into the UK's gas transmission business loomed yesterday after a furious British Gas reaction to proposals for tougher price controls on Transco, its pipeline arm.

Mr Philip Rogerson, the executive deputy chairman of Transco, said the proposals from Ofgas, the industry regulator, would be devastating for the company's shareholders and

employees, and could put the safety of the UK's gas system at risk. Up to half of Transco's 20,000 workforce might have to be laid off.

He said Transco would be contesting Ofgas's measures and would force a reference to the Monopolies and Mergers Commission (MMC) if necessary.

Ms Clare Spottiswoode, the director-general of Ofgas, had proposed a new pricing formula for Transco which, she calculated, would reduce the average household gas bill by £30 (£46.60) a year, or 10 per cent, rising to £50 over five years.

There would also be substantial savings for industrial users. The charges levied by Transco, which has monopoly control of the UK gas pipeline system, account for 43 per cent

of the typical gas bill.

Ms Spottiswoode said the current price regime was "too generous" to shareholders, and needed to be adjusted to pass more benefits on to consumers.

Her proposals included marking down the value of Transco's assets from £17bn to £8bn-£11bn, and reducing the rate of return they were allowed to earn.

Although she proposed to leave the pricing formula unchanged at the rate of inflation minus 5 per cent (RPI-X), there would also be tighter controls on Transco's operating expenditures and its capital spending plans, although full allowance would be made for spending on safety.

The proposals will now be subject to a period of consultation and review lasting 10 weeks. If Transco refuses to

accept Ofgas's final proposals, Ms Spottiswoode would have to refer the matter to the MMC.

Although she is not obliged to accept the MMC's recommendations, she said yesterday she would "stick closely" to whatever it said.

However, she warned Transco that, in provoking an MMC referral, it risked having an even stricter price regime than the one she was proposing. The new controls have to be in place by April next year.

Ms Spottiswoode's proposals were generally tougher than the market had been expecting, and British Gas's share price fell by 27p to 201p - more than 10 per cent - largely on fears that the price cuts could force a cut in British Gas's dividend.

The Gas Consumers Council said the regulator's proposals

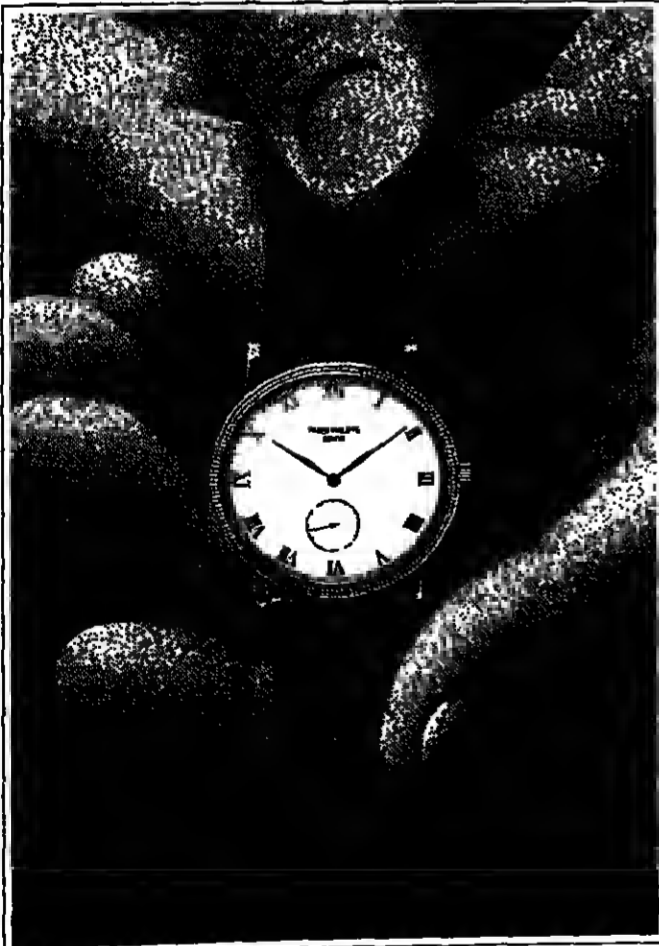
were "the best news since natural gas started coming ashore from the North Sea". Industrial users were also delighted with the move.

The 40 gas shipping companies which are Transco's direct customers were disappointed that Ofgas had not been even tougher on Transco. One of them said Transco had, by some estimates, made £2bn in excess profits in recent years which should be banded back to customers.

Transco is due to be demerged from British Gas next year. Mr Rogerson said the Ofgas proposals would not affect the demerger, although they reinforced the uncertainty in which the restructuring was going ahead.

Editorial Comment, Page 13
Lex, Page 14

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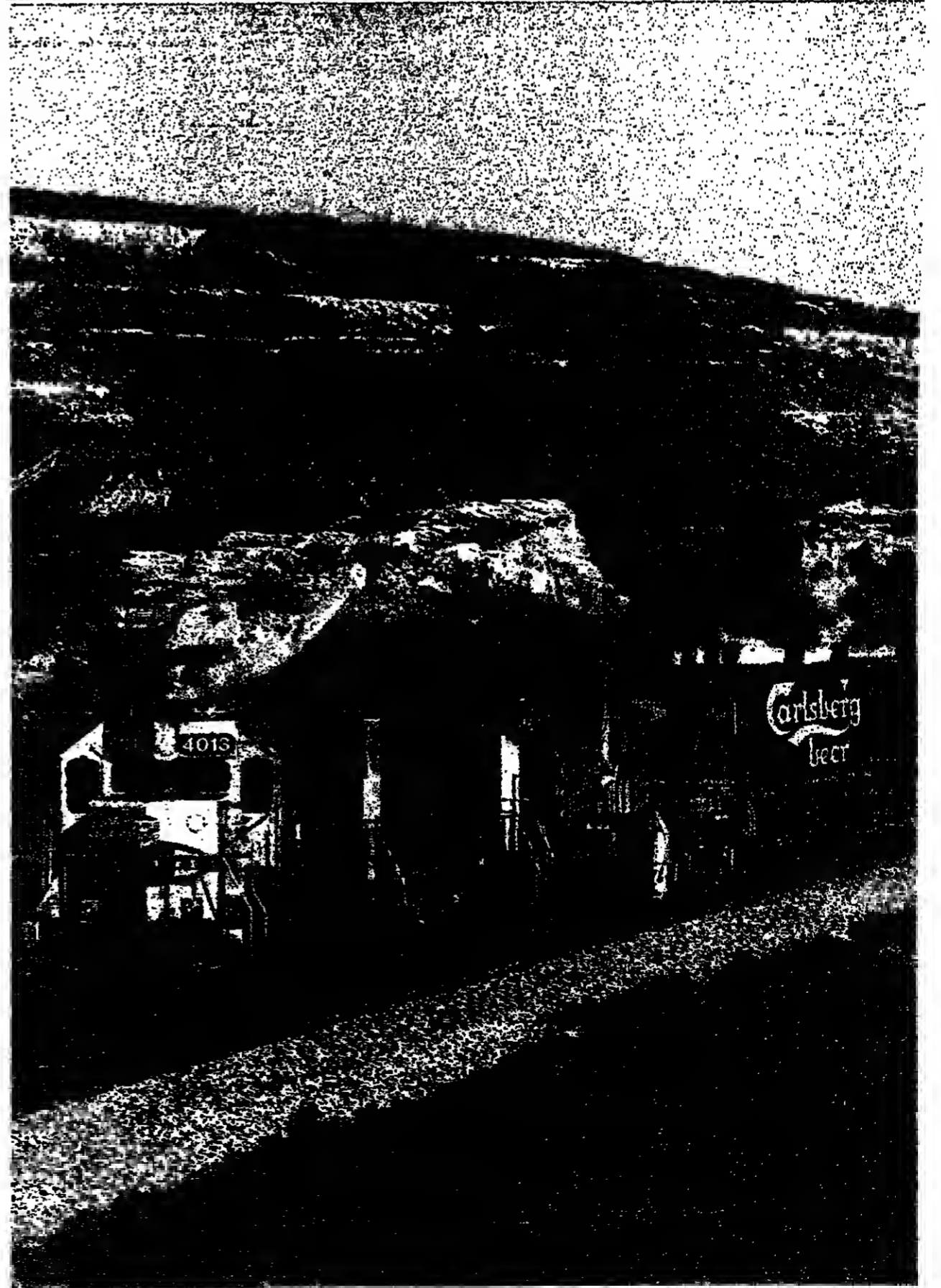


Men's Calatrava - Ref 3919



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Peugeot-Citroën signals expansion for British plant

By Haig Simonian and David Owen in Paris

Mr Jacques Calvet, head of Peugeot-Citroën, yesterday gave his strongest indication to date that the French car group would start building a second model at its Ryton plant in the English Midlands.

very much hope... We always thought Ryton was capable of building two types of car.

Mr Calvet declined to specify which new model he had in mind. However, it is widely believed Ryton has been chosen to make the successor to the top-selling Peugeot 205 hatchback.

The future of Ryton is assured, Mr Calvet said. The Peugeot chairman gave no indication of when the second model would go into production.

Having a UK production base has helped Peugeot to lift its share of the UK car market from 1.5 per cent to more than 7 per cent in 1995.

The bulk of the new investment is expected to go on replacing the plant's paint shop, which is currently its biggest bottle-neck.

Valero sale, Page 17

Manufacturers hit by input cost inflation

By Graham Bowley, Economics Staff

A big rise in oil and food prices caused the first increase in factory input cost inflation for a year last month, but manufacturers were still unable to pass the price rises on to their customers.

Industry's fuel and raw material costs grew 1.4 per cent between March and April, the largest rise since December, and were 3.1 per cent higher than the same month last year.

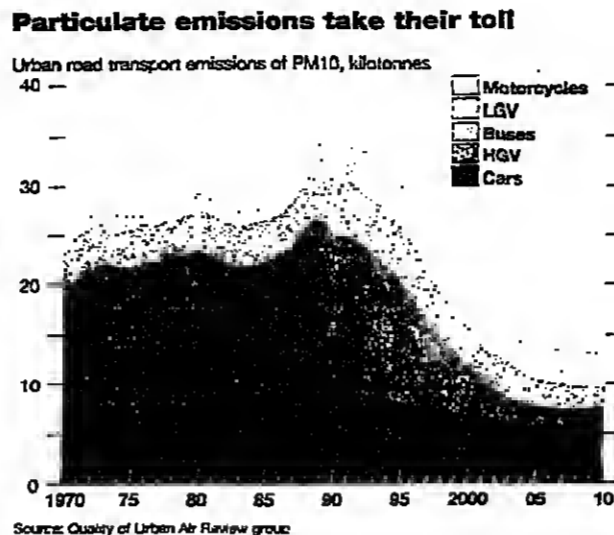
This slowdown in demand finally pushed manufacturing industry technically back into recession in March after output fell for two successive quarters.

But most economists were nevertheless encouraged by the further decline in output price inflation, the measure thought to have most influence on retail price inflation.

Diesel vehicle pollution limits exceeded

By Leyla Bouton, Environment Correspondent

Britain regularly exceeds its own tough limits for particulate emissions from diesel vehicles which kill thousands of people a year but is unlikely to take action to fix the problem, a report said yesterday.



Source: Quality of Urban Air Review group

estimates that several thousand elderly people's deaths are accelerated by the particulates, which worsen heart and respiratory conditions.

'Green' tax system considered

The opposition Labour party is to consider a "green" overhaul of the tax system which would cut employers' National Insurance contributions and tax pollution to create jobs.

friendly taxation would help the environment without damaging tax revenues or industrial competitiveness.

Shareholders approve Liffe merger with LCE

Financial Times Reporters

The shareholders of the London Commodity Exchange have formally approved the merger of the market with the larger London International Financial Futures and Options Exchange (Liffe).

last year, is one of a number of mergers or link-ups between international derivatives exchanges, which are under growing pressures from members to focus their resources more effectively in an increasingly competitive market.

Liffe is offering LCE shareholders either cash or a combination of cash and a new class of Liffe shares for some 8m LCE shares at their net asset value.

Liffe agreed a strategic link-up with both the Chicago Board Of Trade and the Tokyo International Financial Futures Exchange (Tiffe) last year and expects to begin trading the Chicago market's financial contracts during the European morning later this year.

One EU official said the subsidies had been calculated to compensate farmers for the drop in prices as well as falls in consumption, pointing out that farmers in Germany had suffered from a fall in prices as well as dramatic falls in consumption, while in the UK there were signs that greater quantities of meat were now being sold.

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COMPANIES AND FINANCE: EUROPE

Repsol boosts first-quarter profits by 8%

By Tom Burns in Madrid

Repsol, the Spanish oil, gas and chemicals group which is a candidate for full privatisation, lifted its first-quarter net profits after minorities by 8 per cent to Ptas3.4bn (\$277.9m), in line with estimates.

across the board, were offset by increased Brent crude oil prices and higher international refining margins.

The three-month result follows significant changes in Repsol's shareholding structure, and comes at a time of considerable speculation over a top-level shake-up for the group following the formation of a new centre-right government this month.

Sharply depressed income from its chemical division, and the strength of the peseta, which hit the group's activities

of successful disposals of government-held equity in the group, was appointed by the previous Socialist party administration. He could now be forced to stand down in favour of a new chief executive nominated by the ruling Popular party.

Although Mr Fanjul has consistently advocated the sell-off of state-held equity - Sepi, the industry ministry's holding company, in February reduced its 21 per cent stake in Repsol to 10 per cent - the new government is likely to seek some-

body associated with the Popular party to complete the privatisation process.

The possible changeover is viewed with some trepidation by analysts, who have admired Mr Fanjul's management style and the strategy he has mapped out. They say Mr Fanjul's removal could unsettle shareholders, such as US pension funds which together own 25 per cent of Repsol, and temporarily damage Repsol's share price.

Mr Fanjul appears to have the support of a hard core of

shareholders in the group formed by Banco Bilbao Vizcaya, the domestic banking group, Pemex, the Mexican oil group, and La Caixa, the dominant domestic savings bank. In the past two months La Caixa has spent some Ptas67bn on 5 per cent of Repsol, a similar stake to those held by BBV and by Pemex.

The government, however, remains the biggest individual shareholder though the 10 per cent owned by Sepi, and it continues to have the final word on who runs Repsol.

NEWS DIGEST

Skandia registers strong growth

Skandia, Sweden's biggest insurance group, more than doubled first-quarter profits, from SKr17bn a year ago to SKr35bn (\$51.6m). The increase was driven by improvements in life insurance and savings-linked operations. Mr Björn Wolrath, chief executive, said there had been a strong improvement in business in the UK and US compared with the same stage last year.

Non-life insurance and reinsurance premium income fell from SKr3bn to SKr7bn because of a US divestment and currency changes. Life and savings-linked premium income, however, jumped from SKr6.4bn to SKr7.7bn, to raise total premium income from SKr14.4bn to SKr14.7bn.

Hugh Cornevy, Stockholm

Allergan merger talks dropped

Talks on a \$2.5bn merger between Pharmacia & Upjohn and Allergan, the Californian eye and skin care products company, have been abandoned. Allergan said the talks had involved a possible share-for-share merger with a "pooling of interest" accounting treatment. It said the pooling treatment was "not feasible to Allergan", without elaborating.

Pharmacia & Upjohn, which refused to comment on the ending of talks, was formed in 1995 by a friendly merger of its Swedish and US parents. Mr John Zabriskie, chief executive, has said that one of the advantages of the friendly merger was that the new company had not been saddled with debt and was therefore free to make acquisitions. But the company is in effect prevented from making significant disposals because of tax charges that would be triggered: the structure of the friendly merger avoided incurring goodwill and tax charges.

Daniel Green

Tryg-Baltica to raise DKr2.5bn

Tryg-Baltica, which became Denmark's largest insurance company last year after acquiring most of the non-life assets of the Baltica group, is to sell 4m shares, about 20 per cent of its share capital. The shares, with a face value of DKr20 each, will be offered for sale through the book-building method with an indicative price of DKr265-DKr300 which could raise up to DKr2.5bn (\$425m). The offer will be open from May 20 to June 3.

Hilary Barnes, Copenhagen

Rain helps Spain's Iberdrola

Abundant rainfall helped Iberdrola, Spain's leading private-sector electricity utility, achieve a 14 per cent rise in first-quarter consolidated net profit to Ptas4.01bn (\$297m). The gain was partly due to a shift to cheap hydroelectric production, which rose 146 per cent on the same quarter last year, when Spain was still in the throes of a five-year drought. Group turnover rose 2 per cent to Ptas218.05bn.

The profit rise also reflected lower debt-servicing costs, with group debt declining by Ptas12.3bn from the Ptas14.73bn level at the end of last year. Pre-tax earnings were 20 per cent up at Ptas49.92bn, while operating profits were 18 per cent up at Ptas74.79bn.

David White, Madrid

AGF offer oversubscribed

The French ministry of finance indicated yesterday that the 33.6m shares of AGF, the French insurer, offered to investors was 150 per cent subscribed during the first week since the offer opened, with 90 per cent of the allocation taken by foreign institutions. The government has announced approval for the sale of most of its stake, representing 45 per cent of the equity.

Andrew Jack, Paris

Bondi defends Montedison structure

By Andrew Hill in Milan

The chief executive of Montedison yesterday defended the structure of the Italian agribusiness, chemicals and energy group against one important shareholder's proposal that the company should be broken up.

Mr Enrico Bondi, who is also chief executive of Ferruzzi Finanziaria (Ferruzzi), Montedison's largest shareholder, told a meeting of analysts that the group's structure "represented a well-balanced portfolio and offered numerous possibilities for expansion".

Montedison's shares rose nearly 3.5 per cent yesterday after the publication of leaked

extracts from a letter to Mr Luigi Lucchini, Montedison's chairman, from Mr Luca Padulli, an Italian financier who runs Codelonf & Co. Codelonf, a Gibraltar-registered fund, owns about 4 per cent of Montedison.

In the letter, Mr Padulli says a gradual break-up of Montedison into Edison, the quoted energy subsidiary, Eridania Béghin-Say, the Paris-quoted agribusiness group, and Antibioticos, the pharmaceuticals operation, would create more value for shareholders. The remaining chemicals and engineering operations would stay under Montedison's control.

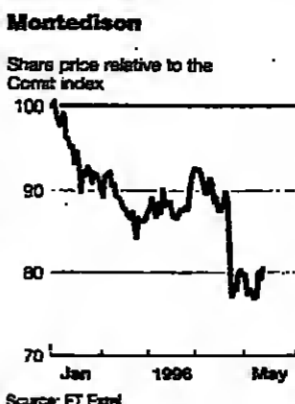
Mr Padulli also criticised the fact that Ferruzzi owned only 32 per cent of Montedison but

management of the two were almost identical.

Mr Bondi said the decisions of recent Montedison shareholder meetings, and the 1993 restructuring plan aimed at rescuing Ferruzzi and Montedison from the aftermath of mismanagement and corruption, had gone "in the direction of preserving the existing group structure".

Yesterday's meeting and the Codelonf letter set the scene for what could be a stormy Montedison shareholder assembly on June 12 or 13.

Mr Massimo Fortuzzi, investment manager for Finanza & Futuro, a large Italian fund management group, warned Mr Bondi yesterday that uncertainty about last year's Super-



Source: FT Intel

One key to whether Codelonf's proposal gets any further will be the attitude of Mediobanca, the Milan merchant bank which owns nearly 4 per cent of Montedison and masterminded the SuperGeminia plan. Lex. Page 14

Unibank to acquire ABB's stockbroking subsidiary

By Hilary Barnes in Copenhagen

Unibank, the Danish bank, is to acquire ABB Aros, the stockbroking subsidiary of Asea Brown Boveri, the large Swiss-Swedish engineering group, to form a new Nordic investment bank.

Aros has subsidiaries in Sweden, Oslo, Helsinki and New York with a total staff of 104. Unibank plans to merge the Aros units into its own share trading, merger and acquisition and corporate finance operations to form a division with 225 staff.

This will put it in line with some of the other large Nordic broking companies, such as Alfred Berg and Carnegie. "The acquisition of Aros is an important step forward in the development of our Nordic strategy," said Mr Thorvald Krarup, Unibank chief executive.

"It is no secret that we took the initiative for this deal. Aros is the perfect fit for us, with its strengths in equities trading in Sweden and Finland, while we are strong in Copenhagen and Oslo," said Mr Krarup. Unibank and ABB have agreed not to disclose any financial details concerning the sale of Aros.

Unibank yesterday announced a series of organisation changes designed to improve head-office efficiency.

One consolidates equities trading and research with equity issues and M&A business, including Aros. The unit will be managed by Mr Peter Lybecker, previously head of Unibank's finance department, and Mr Richard Montgomery, who until now has been business area manager for ABB's stockbroking and investment management activities.

Launch and start-up costs hit earnings at Ford-Werke

Ford-Werke, the German subsidiary of the second biggest US carmaker, has suffered a sharp fall in net profit, to DM270.5m (\$177.4m) in 1995 from DM678.2m a year earlier, reports AFX News from Cologne.

Mr Albert Caspers, chairman, blamed the decline on the cost of the company's product offensive. "In one year, we had to overcome the market launch and start-up costs of the Scorpio, Escort, Fiesta and Galaxy models, as well as the new Zetec-SE generation of engines," Mr Caspers said.

He said although the company largely offset these costs through higher volumes and cost-cutting, it was unable to further compensate for the negative effects of exchange rate fluctuations. In the first four months of 1996, Ford Werke had sales of DM9.4bn, up from

DM8.8bn earlier. Unit sales in the period were 406,000, up 8.2 per cent from 371,000 a year earlier, with exports climbing 10.6 per cent to 260,000 from 226,000. Production slipped 3 per cent to 357,000 units from 368,000.

Ford-Werke said in its annual report that it expected higher sales and output in 1996 compared with 1995, when the it recorded unit sales of 1.04m and output of 888,524 vehicles. Mr Caspers said the company aimed to expand its market share in 1996. "After a promising start to the year, I am confident that we will achieve our 1996 targets," he added.

In the first four months, Ford-Werke raised its domestic car market share to 11.8 per cent from 11.7 per cent a year earlier. In 1995, it boosted domestic market share by 1.1 percentage points to 11.3 per cent.

Table with columns: US dollar, Post purchase, Post holding, Post selling. Lists various companies and their financial metrics.

SEK AB Svensk Exportkredit. U.S. \$200,000,000 Subordinated Floating Rate Notes due 2002. For the Interest Period 13th May, 1996 to 13th November, 1996, the Notes will carry an Interest Rate of 5.5% per annum.

KfW '95: Positive Promotional Balance. The annual report as well as further information will be sent to you on request. Includes images of construction and infrastructure projects.

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GENERAL ASSEMBLY of PLIVA d.d. The Management Board of PLIVA d.d. at its meeting held on 9 May 1996 has convened a meeting of the General Assembly. Includes agenda, draft resolutions, and conditions for participation.

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Peugeot chief toughens stance on Valeo sale

By David Owen and Haig Simonian in Paris

Mr Jacques Calvet, head of France's Peugeot-Citroën car group, yesterday hardened his threat to remove the company's business from Valeo, the French car components group, if it fell into foreign hands. He said he was "completely decided" that he would not renew parts contracts with Valeo if it was bought by foreigners. "What worries me and other colleagues is to see one of France's big equipment makers pass into US control," he said.

His comments followed a renewed surge in Valeo's share price on the back of reports that two US companies were interested in buying it. The shares closed in Paris at FF291.40, up FF9.90, or 3.5 per cent. This compared with a fall of 0.66 per cent, to 2,100.85, in the benchmark CAC-40 index.

The reports suggested that Mr Carlo De Benedetti - who owns a strategic 27.7 per cent stake in Valeo through Cerus, his French holding company - had been approached by Delphi, the components arm of General Motors, and TRW, the big US aerospace and components group.

Neither company would confirm it was in negotiations

with the Italian industrialist. "There is really nothing we can say," said Ms Frédérique Le Grèges, a Delphi official. TRW said it did not comment on speculation.

Mr Calvet said his views were shared by Mr Louis Schweitzer, chairman of Renault - Peugeot-Citroën's arch rival, and Mr Ferdinand Piech, head of Germany's Volkswagen. Together the three companies account for more than 40 per cent of Valeo's sales.

"I don't know how you can buy a company in which clients accounting for 40 per cent of the sales say 'we will no longer work with you,'" he said.

Mr Calvet justified his hostility to a US takeover on the grounds this would lead to excessive US influence in the European motor industry. "The Americans are in the process of taking a dominant position in Europe," he said.

In addition, he said, the relationship between carmakers and their suppliers had become increasingly close. This meant that mutual trust was indispensable. "It is very difficult to trust a company that is owned by a competitor," he said.

Mr Calvet said he wanted to find a French solution to the problem of Valeo's future. There were sure to be potential French buyers, he said.

Amexco and Accor sign pay-card deal

By Andrew Jack in Paris

American Express of the US and Accor, the French-based hotels and leisure group, yesterday signed an agreement covering a co-branded payment card, which will be launched later this year.

The card is the latest in a series of co-operation deals American Express has concluded with other groups. Its largest to date is with Delta Airlines of the US.

Customers in nearly all of Accor's hotel chains - including Motel 6, Novotel, Sofitel and Ibis - as well as its restaurants and other businesses will be able to pay using the card, and earn points towards gifts or travel.

The Accor card will initially be available within France to French citizens from September this year, and subsequently launched in 1997 in Australia, Belgium, the Netherlands, the UK and Germany. Initially, it will simply be a payment card, but the groups are discussing a credit card option.

Speaking at the launch in Paris yesterday, Mr Harvey Golub, chairman of American Express, said: "We were not originally convinced of the idea of co-branding. We now have the belief of the con-

verted." He said co-branded cards helped generate customer loyalty, and that cardholders had, on average, doubled annual expenditure with its partners in the US. The group began offering rewards on its cards in the US in 1989.

Mr Paul Duhre, joint chairman of Accor, said his group had long been searching for a way to associate more closely its individual branded businesses and the Accor group, to make the holding company name "something other than just a share on the stock market".

Mr Golub refused to specify the nature of the financial relationship between American Express and Accor, but said it "represents an appropriate balance of value" for the two groups.

He said his group planned to sign co-branding deals with other business partners, and did not rule out similar accords with rival hotel groups in different countries and time zones.

One Accor subsidiary, Carlson Wagonlit, a travel agency, will be excluded from the co-branding agreement. It has a partnership with Household, a US consumer credit company, which is affiliated with Mastercard.

BBV sets expansion sights on Mexico

By Tom Burns in Madrid

Banco Bilbao Vizcaya is preparing to concentrate its Latin American investment drive on Mexico after establishing a solid base in Peru, officials of the Spanish bank said in Madrid yesterday.

Mexico, where BBV controls Probrusa, the country's twelfth-largest banking concern, will be the chief target of funds totalling \$2bn over the next four years that BBV has earmarked for Latin America.

BBV followed up its \$111m purchase of Banco Continental in Peru last year with a \$350m investment in Probrusa, raising its stake from 20 per cent to 70 per cent. The \$2bn set aside by BBV for Latin America suggests that similar acquisitions are in the pipeline.

BBV is Spain's biggest financial institution in terms of stock market capitalisation, and its hulkiness over Latin America is fuelled by the contributions that both Continental and Probrusa made to the impressive consolidated first-quarter profits it posted last month.

It raised its consolidated net profits by 19.3 per cent to \$157.5m against the first three months of 1995, and analysts believe BBV now has the balance sheet strength to step up its aggressive strategy in Latin America.

BBV says it is above target in its so-called "1,000-day plan" to achieve double-digit growth in earnings per share and dividends through to 1997.

The chief thrust of its plans for Mexico is to increase the number of branches that Probrusa operates from 150 to 600 and to double its presence in the country, where Probrusa accounts for 3 per cent of the financial system. The expansion is likely to be through the acquisition of a Mexican bank network and its subsequent merger with Probrusa.

BBV is also studying Chile, where it has only a token presence. Banco Santander, which has also invested strongly in Peru and Mexico and is BBV's main rival in domestic Spanish banking, last month spent \$495m in a deal that brought it control of Banco Osorno, Chile's biggest financial institution.

First-quarter group net profit of Cia Española de Petroleos (Cepsa), Spain's largest private oil refiner, fell 8.5 per cent to Pta4.62bn (\$36m) from Pta5.05bn in the same period in 1995, AP-DJ reports from Madrid.

Cepsa blamed the surging price of crude oil and government limits on the sale price of petroleum products in Spain for squeezing profits.

The group said the increase in international petroleum prices, which has seen Brent crude oil reach about \$23 a barrel, had not been reflected in the domestic market because of government restrictions on the maximum retail prices of petrol.

Spanish banks shake up Peruvian conquests

BBV and Santander have put their stamp on local acquisitions, writes Sally Bowen

Peru has become the latest battleground for Spain's two heavyweight banks, Santander and Banco Bilbao Vizcaya. Both have bought into the local system during the past year, and are shaking up Peru's staid financial market as they vie for well-heeled clients.

Suddenly, Lima's marble banking halls have been transformed in the race to win deposits. Shiny new cars tied up with ribbons wait to be raffled and colourful posters advertise Caribbean holidays to be won.

BBV, in association with Peru's Brescia group, acquired the former state-owned Banco Continental at auction in April 1996. Results so far from its widely-publicised "Superdeposito" scheme are impressive. Continental, ranked third among Peru's 23 banks, claims it has won 50,000 new clients since the start of the year. Deposits average 2 1/2 times the \$2,500 minimum required for the Superdeposito scheme's 3 per cent a year in dollars, or 15 per cent in Peruvian soles.

"The Superdeposito has been our chief engine of growth," says Mr José Carlos Pla, general manager in Peru for Banco Continental. By the end of the first quarter, deposits stood at 4.3bn soles (\$1.8bn), hoisting Continental's market share to 16 per cent, from 15 per cent in January.

New clients are from upper income groups. Deposits are coming both from reverse capital flight (interest rates are better than well-to-do Peruvians can get in Miami) and from "under the mattress", bank officials say.

As Spain's leading retail bank, BBV believes it has a lot to offer the relatively unsophisticated Peruvian market. Its large 1995 profits - around \$1.9bn net - "gave us an obvious capacity to take up new investments", Mr Pla says. Together with its local partners, BBV offered \$167m cash plus \$60m in debt paper for Continental, easily outbidding rival Santander. Although the state-owned Peruvian group had been slimmed down before privatisation, the new owners spent most of 1995 in comprehensive reorganisation.

This year, they will invest \$25m in state-of-the-art technology, remodelling offices and launching a new corporate image.

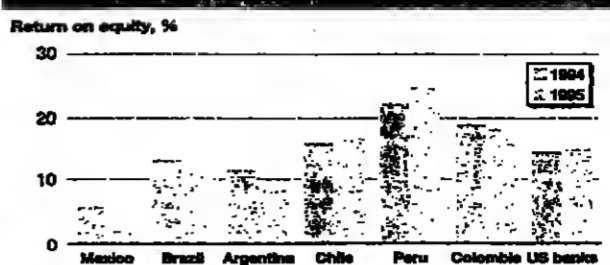
"We haven't spent so much when you compare it with what another bank recently paid to enter the Chilean market," says Mr Pla in a thinly-veiled reference to the \$465m Banco Santander spent last month to merge with Banco Osorno of Chile, a deal that created Chile's largest financial institution.

Having been outbid for Continental, Banco Santander entered Peru by an alternative route.

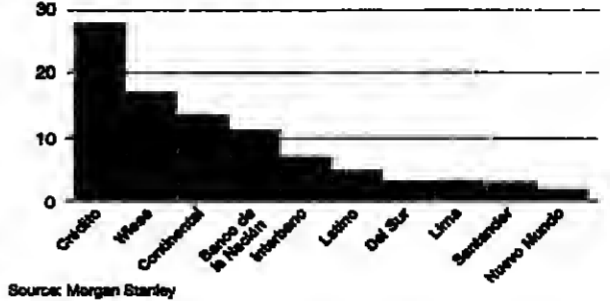
Late last year it paid almost \$90m for two medium-sized local banks, Mercantil and Interandino, merging the two under the name Banco Santander del Peru on February 1. The parent bank has subscribed to a \$68m capital increase, giving "plenty of room to grow this year", says Mr Oscar von Christman, general manager for Peru.

Acquiring Interandino (formerly the Bank of America's Peru branch) immediately gave Santander a portfolio of leading corporate clients. The bank's strategy for this first year is to "get the house in order, establish a good team

Latin American banks



Peru: market share by deposits, %



Source: Morgan Stanley

pushed growth rates down to zero, while inflation is running slightly above 1995's single-digit target.

But both Mr Pla and Mr von Christman regard the setback as temporary. "In general, the Peruvian economy is very healthy. Earlier growth levels were unsustainable and this is just a necessary pause," Mr von Christman says. "There remains a great deal of foreign interest in Peru."

If they expect the economy as a whole to expand by only around 3.5 per cent this year, the following four years should see sustained expansion of 5 to 6 per cent a year, they say. The financial services sector in still heavily underbanked.

Both expect to be well-positioned to take advantage of the acceleration in growth.

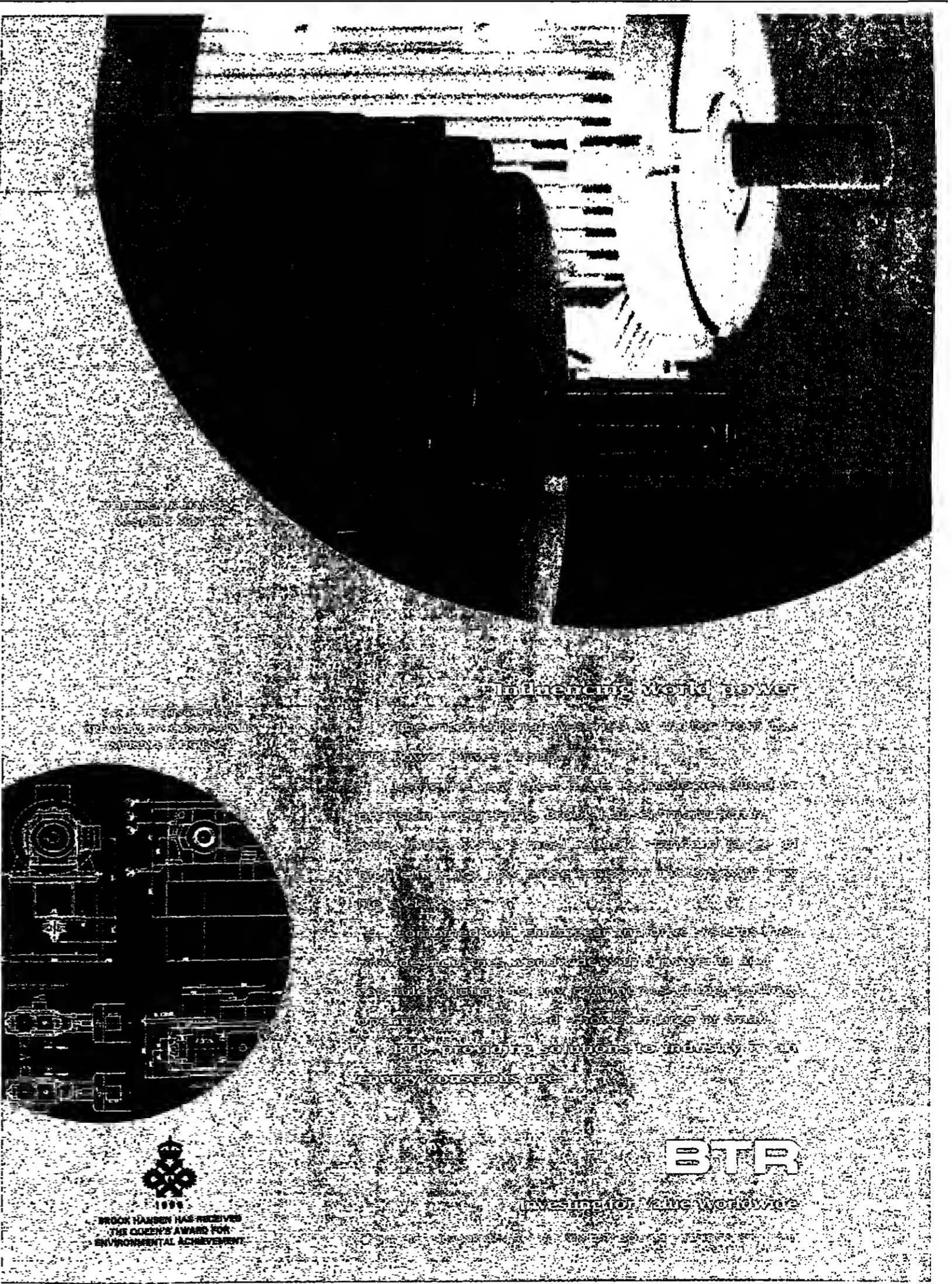
Santander recently acquired a 75 per cent stake in Nueva Vida, one of Peru's six private pension fund administrators (AFPs) for \$12.5m cash and a \$10m capital increase. Intervales, its highly-regarded stockbroking arm inherited along with Interandino, is now called Santander SAB. In addition, Santander is considering setting up a local mutual fund.

BBV has also established a foothold in the promising private pension fund market with a 13.5 per cent stake in Peru's AFP Horizonta.

It is reorganising its stockbroking arm and has applied for authorisation to set up a mutual fund.

"Peruvian banking has been very passive," BBV's Mr Pla says.

After three years of strong growth, however, Peru's recent economic indicators look disappointing. Measures to cool the overheated economy have



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1996

PROTON HANSEN HAS RECEIVED THE GREEN'S AWARD FOR ENVIRONMENTAL MANAGEMENT

BTR

COMPANIES AND FINANCE: THE AMERICAS

NEWS DIGEST

Northern Telecom in \$150m US buy

Northern Telecom, the Canadian-based telecommunications equipment supplier, plans to expand its business networks expertise with a friendly US\$150m takeover of Micom Communications of Simi Valley, California. Micom directors have urged shareholders to accept Nortel's offer of \$12 a share. Odyssey Partners, Micom's biggest shareholder, has agreed to tender its 44 per cent stake. Micom shares, which trade on the Nasdaq over-the-counter market, closed at \$14 last Friday. Micom specialises in integrating companies' data, voice, fax and local-area network traffic into wider networks. Nortel was also attracted by its distributive network, which covers 85 countries.

Unisys launches new PC range

Unisys, the US computer group which is struggling to return to profitability, yesterday unveiled a new family of built-to-order personal computers aimed at corporate users. The new Aquanta range includes desktop, server and notebook PCs. Unisys has suffered a series of setbacks during the past few years and is restructuring to realign its operations into three new business units focused on computer equipment and services. However, its customised PC business has been thriving, with sales increasing 74 per cent in 1995. Prices for the new machines, which run on Intel's Pentium processors, range from \$1,200 for a desktop machine to \$3,900 for a high-end server.

iVillage wins \$12m finance

iVillage, the nine-month-old US Internet content company, announced yesterday that it had secured \$12m in financing from four new investors, making it one of the most heavily capitalised content companies in the US. America Online, the online service provider that originally invested \$2m to help found the company, made an additional investment. Two large media groups, TeleCommunications, through its TCI Interactive unit, and Tribune Company, are also new investors, as is Kleiner Perkins Caufield & Byers, one of the most prominent technology venture capital groups in the US. The new money will be used to finance the development of new channels and acquire other companies, iVillage said.

George Weston disappoints

George Weston, the Weston family's Canadian food distribution and resource group, posted first-quarter results below most market estimates because weakness in the fishery operations and lower forest products results offset strengths in the food unit. Loblaw Weston earned C\$77.9m (US\$57m), or C\$1.66 a share, up 158 per cent from C\$30.2m, or 64 cents, a year earlier. However, the latest quarter included a special gain on the sale of the confectionery unit, and final net profit was equal to 50 cents a share. Revenues were C\$2.5bn, down 9.5 per cent from a year earlier. The decline was due to asset sales, after which revenues were up 3 per cent. At the operating level Loblaw contributed most - C\$60.3m, up 6.7 per cent from C\$57m. Loblaw is now solely a Canadian food distributor after the sale last year of its US subsidiary. In the first quarter sales rose 7.3 per cent. The food processing unit was up at C\$3.5m from C\$1.5m. Fisheries dipped to C\$900,000 from C\$4.8m and forest products contributed C\$14m against C\$36m.

IBM sells Prodigy stake

IBM said the sale of its 50 per cent stake in Prodigy Services, the third-largest consumer online information service, to privately-held International Wireless and a group of Prodigy executives will not have any material effect on its financial results. The price of the deal was not disclosed but the Prodigy management team was initially looking at finding investors for the buy-out for a price of about \$250m.

Canadian Occidental ahead

Record oil output by the Masila field in the Yemen and strength in North America pushed Canadian Occidental Petroleum's first quarter net profit to C\$60m (US\$36.5m), or 73 cents a share, from C\$30m, or 45 cents, a year earlier on revenues of C\$615m against C\$578m. A US\$78m payment to the Yemen government to settle site, transport and other issues has been charged to capital spending, which will total C\$600m for 1996.

JP Morgan to outsource IT operations in \$2bn move

J.P. Morgan is to farm out a large part of its routine information technology operations, marking one of the biggest outsourcing deals of its kind. The US bank said yesterday that it had reached an agreement with a group of technology companies under which it will pay \$2bn over seven years. The deal covers about one-third of the bank's spending on computers and telecommunications, and will yield savings of 15 per cent a year, the bank said. Morgan spent \$1.04bn in these areas last year.

In terms of annual value, the contract compares with the biggest in the booming outsourcing business. Last year, Swiss Bank Corporation agreed to pay Perot Systems \$6.25bn over 25 years to handle its computer operations, while Xerox is to pay EDS \$3.2bn over 10 years. Unusually for such an arrangement, four different contractors have formed a partnership to handle the Morgan technology operations, and will jointly buy three of the bank's computer facilities and take on 900 of its employees. Computer Sciences will run the computer facilities in New York, London and Delaware, while Andersen Consulting will develop software applications and provide maintenance support. AT&T and Bell Atlantic will run the bank's global voice and data network and distribute computing.

Mr Douglas Warner, chairman of J.P. Morgan, said the deal would enable the bank to "exploit new technologies, manage costs, and create competitive advantage". The decision to use outside contractors marks a further attempt to rein in the bank's technology and communications spending. This has jumped in recent years as the bank has grown internationally. IT now consumes 45 per cent of Morgan's non-staff costs each year, compared with 35 per cent at the beginning of the decade.

Mr Peter Miller, co-head of corporate technology, said the amounts to be paid under the contract were dependent in part on the volume of transactions handled, as well as other factors. That would enable the bank to convert part of its fixed costs into variable costs, allowing it control its unit costs better, he added. Morgan already contracts out about 10 per cent of its technology spending, and a large part of its remaining costs are paid to suppliers of market data, such as Reuters and TeleRate. The bank plans to limit its in-house technology expertise to what Mr Miller called "the short end of the wedge": a small group whose job is to develop applications for individual business units. These include developing risk management algorithms to support the bank's own operations and the creation of financial instruments for clients.

Witnesses said the aircraft plunged to the ground in a near-vertical dive. So far, the cause of the crash is unknown. The first officer's last transmission was unintelligible - possibly because he was wearing an oxygen mask, investigators say. Efforts to recover the wreckage and "black box" flight recorder have been hampered by difficult conditions in the swamp. Much of the US media coverage of the accident has focused on the fact that the aircraft involved was 27 years old, and had returned to airports after take-off seven

times in two years with various mechanical problems. Perhaps of greater concern, the airline last month said it was voluntarily trimming plans for a big expansion of its fleet after the Federal Aviation Administration raised concerns about a string of non-fatal mishaps - for example, the collapse of an aircraft's landing gear. The FAA's concerns were said to have focused on pilot training and the quality of maintenance by outside contractors. The authority decided to carry out a scrutiny of ValuJet's safety and maintenance procedures, citing the airline's rapid growth since it started up in 1993.



Douglas Warner: deal will give bank 'competitive advantage'

Coca-Cola bottler seals Europe deals

Coca-Cola Enterprises, the biggest US bottler of Coca-Cola soft drinks, is embarking on a big expansion of its European interests by buying most of Coca-Cola's bottling capacity in France and Belgium for \$915m.

The acquisition, expected to be completed early in the third quarter, will build upon Coca-Cola Enterprises' move into Europe in 1993, when it bought Coca-Cola's bottling operations in the Netherlands. Coca-Cola Enterprises is 44 per cent owned by Coca-Cola, but operates independently and its shares are quoted separately on the NYSE. The company is the world's biggest bottler of Coca-Cola products, but most of its revenues come from the relatively mature US market, where it accounts for about 57 per cent of all Coca-Cola products sold. Recently it has been expanding by acquisition. In 1994, it paid Coca-Cola \$360m for two small bottlers in the US and Coca-Cola Beverages Nederland, its first acquisition outside the US. The latest acquisitions are also being bought from Coca-Cola. They are Coca-Cola Beverages and Coca-Cola Production in France, which caters for about 90 per cent of the French market, and SA Beverage Sales Holding in Belgium, which is the country's only Coca-Cola bottler. Coca-Cola Enterprises said the French bottlers sold 158m unit cases last year, and the Belgian bottler 94m unit cases. On a pro-forma basis, their operations would add \$1.2bn to Coca-Cola Enterprises' 1995 revenues.

The US company said it was interested in making more acquisitions in territories adjacent to its existing areas. It said that following the latest deals, more than 15 per cent of its unit case sales would be generated outside the US.

Crash prompts 23% tumble in ValuJet shares

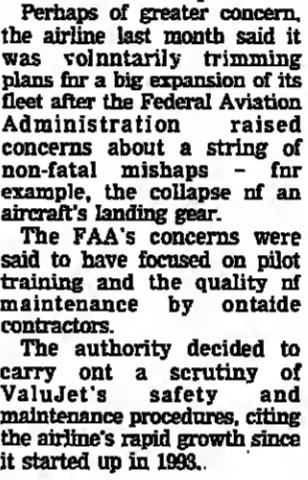
Shares in ValuJet, the US low-cost airline, tumbled 24% to \$13% in early trading yesterday - a fall of 23 per cent - following Saturday's disaster involving one of the company's McDonnell Douglas DC-9 aircraft.

Investors feared that the crash could cause passengers to shun the airline, particularly after some US media reports raised questions over ValuJet's safety record. A total of 104 passengers and five crew died when the DC-9 plunged into a swamp soon after taking off from Miami. The pilot had turned back towards the airport after reporting smoke in the cockpit and cabin.

Yesterday the FAA said it was intensifying that review, bringing forward a week-long check-up on the airline that had been due to begin next week. ValuJet said it welcomed the scrutiny, and would continue to work with the FAA "to assure the highest levels of safety".


ValuJet was floated on the stock market in June 1994 at a price of \$22.50 a share. Amid rapid profit growth, its stock price soared to a peak of \$34 last December. However, the airline was subsequently hit by increased competition from Delta Air Lines and by concern over last month's delay to its expansion plans.

Share price relative to the S&P Composite



Source: FT Data

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COMPANIES AND FINANCE: UK

Fenner advances to £8.2m

By Simon Kuper

Shares in Fenner rose 9p to 170p yesterday as the industrial products group reported a 50 per cent rise in interim pre-tax profits to £8.2m. Sales rose by a fifth to £126.3m in the six months to February.

But Mr Mark Abrahams, chief executive, said: "We do expect the markets to get slightly tougher for us." He expected a downturn in continental Europe, particularly in Germany. However, he added: "Our businesses tend to be niche and tend to outperform."

He said: "You can expect to see some bolt-on acquisitions from Fenner." But the rate of acquisitions of the previous few months would slacken. He expected no disposals. "We have disposed of most of our non-core businesses now," he said. Fenner was now concentrating on the £10m a year capital spending programme which it began last year.

The fastest growth over the six months to February came in the power transmission division,

where operating profits rose 86 per cent to £3.15m, which was mainly from the impact of new management. Operating profits in the advanced engineering products division rose 46 per cent to £3.66m, and in the conveyor belt division by 24 per cent to £1.2m.

However, operating profits in the fluid power division fell by a fifth to £1.74m. Mr Abrahams said this was because of falling demand in the US truck market for Fenner's tailgates. He expected demand to stabilise.

The group said that the costs of merging its polymer moulding operations and combining its two UK conveyor belt businesses would be about £7m. This would be set against second-half profits. The changes would destroy about 440 jobs at its Hull and Peterborough sites, but create about the same number at its new plant in Wales.

The interim dividend will be 19 per cent ahead at 1.7p, payable as a foreign income dividend.



Mark Abrahams (left) with Colin Cooke, chairman

DMG nears the forex summit

Philip Gawith analyses reasons for the bank's surge past its rivals

There would have been few surprises in the foreign exchange market at the rapid progress up the annual Euromoney league table by Deutsche Morgan Grenfell.

It has been aggressively developing its foreign exchange business over the past two years, as part of an expansion of its investment banking and capital markets activities.

DMG leapt to ninth in Euromoney's survey of foreign exchange banks, from 22nd.

While DMG has made great progress, it is not without its critics. Competitors point out that the Euromoney survey is a statement about visibility and turnover, not profits. They question what sort of money the bank can be making given the lavish expenditure on recruitment. One manager says DMG has been writing "the most amazing contracts the City has seen". This is when the industry is becoming more cost conscious amid speculation that the spectacular growth of the past 15-20 years has levelled off. But its ambitions are far from sated. According to Mr Albert Maasland, head of trading and sales for continental Europe, DMG will "challenge the leaders over the coming years".

This is just the start. We are only part way through the transformation of the foreign exchange business into a truly global business."

It can play to both the markets served by commercial banks, whose strengths are in areas such as cash management, custodial relations, and corporate clients, and the advisory/capital markets type business in which investment banks specialise. "We have access to a much broader base than any of our competitors and we're starting to put that together now," he said.

Instrumental in developing DMG's forex business has been Mr Michael deSa, head of global foreign exchange, who joined from Citibank in 1994.

Other recruits include Mr Nick Beecroft and Mr Dan Almeida, both from Citibank, who run the London and New York offices, and Mr Maasland from HSBC Markets.

Mr deSa said recently he had built up DMG's global forex complement by 20 per cent to 490 people. Foreign exchange profits were DM\$32m (£231m) in 1995, up from DM\$49m.

The key strategic decision was to move many traders to sales. Previously it had 37 largely autonomous dealing rooms, all making prices in different currencies. Now price making in the main currencies is concentrated in London, Frankfurt, New York and Singapore.

Concentrating liquidity in a few centres confers other advantages. It gives a better overall sense of market flows, which customers find useful, while enhancing successful proprietary trading.

It also gives DMG greater clout in the interbank market. Mr deSa said: "It puts you in a

position to come up with a better relationship with your competitors. We weren't getting return. We were giving out liquidity, but not getting it back. You need relationships with people who will return liquidity in difficult conditions."

DMG insiders believe the bank has achieved two of its three aims. The first was to establish a presence in the interbank market as a provider of liquidity; the second was to develop an options capability, the third to improve the bank's standing in emerging markets.

The initial focus has been in Europe. "That is our goal - to dominate Europe," says Mr deSa. "If successful, you have automatically positioned yourself as a global player."

Six months ago he said the challenge was to compete with the top six or eight banks in London. The bank was seventh in London in the Euromoney survey so business would appear to be going according to plan.

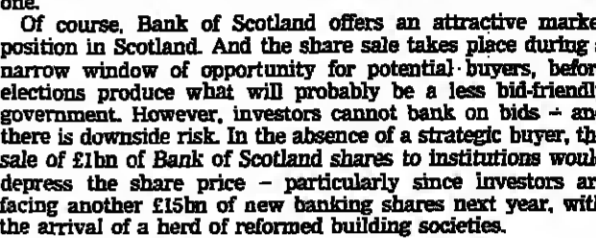
LEX COMMENT Bank of Scotland

Standard Life's plan to sell most of its 32 per cent stake in Bank of Scotland undoubtedly puts the Scottish bank into play. The two institutions may have had a long-standing and friendly relationship, but Standard has a fiduciary duty to its policyholders to get the highest price for its stake. And that would inevitably come from a strategic buyer. But while Bank of Scotland may be up for grabs, it is far from certain there will be takers. The wave of takeovers in global banking has been driven by the potential to remove costs. Bank of Scotland, however, has a comparatively low cost ratio and little overlap with other banks, so there are no easy savings for a British predator. And since it is regionally focused, it is not an obvious stepping-stone into British retail banking for a foreign buyer.

Moreover, the bank's management would give a distinctly nationalistic tinge to its fight to retain independence - which means the take-out price would probably have to be a steep one.

Of course, Bank of Scotland offers an attractive market position in Scotland. And the share sale takes place during a narrow window of opportunity for potential buyers, before elections produce what will probably be a less bid-friendly government. However, investors cannot bank on bids - and there is downside risk. In the absence of a strategic buyer, the sale of 11th of Bank of Scotland shares to institutions would depress the share price - particularly since investors are facing another £15bn of new banking shares next year, with the arrival of a herd of reformed building societies.

Bank of Scotland Share price relative to the FT-SE-A All-Share Index



Internet groups to form EUnet link

By Paul Taylor

Nine of the 28 affiliated Internet service companies making up the pan-European EUnet group have combined to form EUnet International, marking a significant consolidation within the Internet service marketplace.

The new UK-based holding company brings together nine independent national Internet access providers in France, Belgium, Luxembourg, Austria, Finland, Switzerland, Portugal, Norway and the Czech Republic. Several other national EUnet providers are also negotiating to merge with EUnet International.

As part of the deal, Advent International, a large private venture capital firm, led a

\$12m investment in the new company which plans to expand both through organic growth and acquisitions.

EUnet, formed in 1982, is a leading European Internet service provider and derives 90 per cent of its revenues from business users. It has developed a network of national and regional service providers.

"The consolidation of EUnet into a single company is an important step to strengthen our market position and develop EUnet to meet the challenges of an increasingly competitive and demanding Internet market requires," said Mr Wim Vink, EUnet International's chief executive.

The company is expected to seek a listing on Nasdaq, the screen-based US exchange.

INTERIM REPORT - SPARBANKEN SVERIGE - JANUARY - MARCH 1996. Improved Operating Result - Return on equity up to 182%. The operating result improved by 65% to SEK 1 209 M. Earnings per share SEK 3.10. Includes financial tables and key figures.

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TOTAL 1996 NOTICE OF SHAREHOLDERS' MEETING. The Shareholders of TOTAL are hereby informed that a Combined General Meeting (Annual Ordinary and Extraordinary) is to be convened on Tuesday, June 4, 1996, at CNIT La Défense - Amphithéâtre Goethe - 2, place de la Défense - 92053 Paris La Défense at 10 a.m., on the following agenda: I Annual General Meeting, II Extraordinary General Meeting.

Handwritten signature or stamp at the bottom center of the page.

COMPANIES AND FINANCE: UK

Standard Life plans to sell stake in Bank of Scotland

By George Graham, Banking Correspondent

Bank of Scotland's share price climbed 14p to 252.5p yesterday after Standard Life, the assurance group, said it was working on the sale of all or part of its 32.2 per cent stake in the bank.

But bankers said the stake was more likely to be placed with UK institutional investors than sold to a potential predator, and doubted that the sale would trigger a bid.

Standard bought the stake from Barclays Bank in 1985, not long after a hostile bid from Hongkong and Shanghai Bank for its Edinburgh competitor, Royal Bank of Scotland, had been blocked by the

Monopolies and Mergers Commission amid a blaze of Scottish economic nationalism. Early hopes that the alliance might lead to a more concrete

Standard bought the stake in 1985 after a hostile bid from Hongkong and Shanghai Bank for Royal Bank of Scotland had been blocked

partnership have produced little.

But Bank of Scotland's strong profits record has helped the stake to grow sixfold. Today it is worth almost £950m, accounting for around 7 per cent of Standard's UK equity portfolio.

Mr Scott Bell, Standard's group managing director, said

this was "a large proportion for a single investment".

"Standard Life continues to have confidence in Bank of Scotland's prospects and strategy

Bank of Scotland, but in the interests of its policyholders the life insurer is obliged to remain open to anyone ready to offer a premium for its entire stake.

The possibility of a bid drew immediate warnings from Scottish politicians and from trade unions.

Mr Alex Salmond, leader of the Scottish Nationalist Party, said the government should declare now that any hostile bid would be referred to the MMC.

Any bidder for Bank of Scotland would be expected to offer more than 300p per share, valuing the bank at around £3.6bn. Bank of Scotland is generally reckoned to be one of the most efficient UK banks.

Ladbroke hopes to reunite Hiltons

By David Blackwell

Ladbroke, which owns Hilton International, said yesterday that talks were continuing with Hilton Hotels of the US on "a range of ways of reuniting the Hilton brand".

Talks on a range of options, including a possible merger of the hotel activities, were at a very early stage, said Mr Peter George, chief executive, after the hotel and gaming group's annual meeting in London.

"There have been no decisions - we are looking at what may work," said Mr George, who has had a couple of meetings with Mr Stephen Bollenbach, chief executive of Hilton in the US.

"Steve seems to share my view that something can and should be done - and that's where we are," he said.

The two expected to meet again soon, but no definite date had been arranged.

Earlier Mr John Jackson, chairman, told shareholders that profits in the first four months were ahead of last year, with the hotel side performing strongly.

Bell Cable losses widen despite revenue rise

By Christopher Price

Bell Cablemedia, the UK's third largest cable operator, yesterday reported deeper losses and a sharp rise in income for the first quarter as it attracted more subscribers while continuing to build its network.

Net losses of £19.5m compared with £1.2m net income in the same period in 1995. However, last year's figure was inflated by a one-off gain of £9m from the flotation of Videotron, in which Bell retains a 26 per cent stake.

The latest quarter's figure was also affected by the financing costs associated with a £275m loan and the higher depreciation costs of the

expanded network. Losses before interest, tax depreciation and amortisation were £2.5m (£2.2m) and before tax losses of affiliates and minority interest, the deficit reached £17.9m (£2.5m profit).

Total revenues rose by 87 per cent to £15.8m. This included a near doubling of revenues from telephony to £8.9m. The number of telephone subscribers grew from 61,000 to 111,000 year-on-year, with 12,000 added over the last quarter. The churn rate the level at which customers fail to renew - fell slightly to 16.8 per cent.

There were similar increases in television subscription rates, taking the total to 128,000. Revenue rose from £3.8m to £5.9m. Television churn fell by 2.7 per

centage points to 24.6 per cent. Mr Dan Somers, chairman and chief executive, said Bell had changed its marketing methods and the results showed the first reward from this. He refused to comment on whether it would pursue its option to buy the remainder of Videotron.

Bell has also changed the method of calculating penetration rates - a measure of what percentage of potential subscribers opt to take cable. The revised rates represent the number of homes passed, as opposed to the number of homes marketed. Penetration for television rose to 18.7 (17.9) per cent. Under the previous method, they were steady at 22.2 per cent.

US side hits Premier Health

By Greg McIvor

Premier Health Group, the health services company, warned yesterday that its US nursing subsidiary had struggled to fulfil some hospital contracts for 1996 due to changed visa requirements.

Mr Ephraim Barsam, chief executive, said changes in immigration practice had prevented it from employing sufficient numbers of non-US

contract nurses. He gave no details of the extent of under-performance but said the company still hoped to make a profit in 1996.

Mr Barsam forecast the adverse US trend would be reversed by the end of the third quarter through its use of "more traditional" immigration procedures.

Its new UK subsidiary had agreed a number of hospital contracts which would substantially offset the US shortfall, he added.

RESULTS

Company	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year
Anglo Pacific Resources	3.3 (4.1)	6.4 (8.85)	8.8 (1.52)	-	-	-	-	-
Bell Cablemedia	15.8 (8.46)	19.5 (1.17)	5.3 (0.4)	-	-	-	-	-
Fenner	126.3 (105.5)	8.25 (5.5)	5.61 (4.27)	1.7	Aug 2	1.5	-	4.5
Granville	nil (-)	0.413 (-)	- (-)	-	-	-	-	-
Kwikpak	58.7 (50.8)	4.01 (7.82)	0.55 (1.75)	0.3	July 12	0.25	-	0.8
Mead	4.49 (2.82)	1.43 (0.21)	1.61 (0.17)	-	-	-	-	-

Investment Trusts	NAV (p)	Attributable earnings (p)	EPS (p)	Current dividend (p)	Date of payment	Corresponding dividend	Total for year	Total last year
F&C Eurotrust	296.6 (215.2)	1.05 (0.887)	1.68 (1.47)	-	-	-	-	1.25

NEWS DIGEST

Easter timing helps BAA

The seven airports owned by BAA handled 7.6m passengers in April, an increase of 1.9 per cent on the year before. BAA said the small increase was the result of Easter falling earlier this year than in 1995.

BAA said that taking March and April together, there was a 6.3 per cent increase over last year. Scheduled European traffic in April was 1 per cent lower than last year. European charter traffic was 9 per cent down.

However, there was an increase in long-haul traffic. North Atlantic traffic rose 3 per cent and other routes 5 per cent. Domestic markets and traffic between Ireland and the UK rose 9 per cent.

London's Heathrow airport saw traffic fall 1.4 per cent. Traffic at Gatwick was up 2.3 per cent and Stansted passenger numbers rose 29 per cent.

Trio in Hong Kong merger talks

Trio Holdings is in talks with Euro Brokers investment and Yagi Euro Corp with a view to merging their respective money broking interests in Hong Kong.

Martin Brokers (Hong Kong), its Hong Kong subsidiary, employs about 50 people and contributes about 10 per cent of the group's worldwide operations. In the year to September Trio made pre-tax losses of £11.8m and closed desks in London, Hong Kong and Tokyo, pulling out of Singapore entirely.

Euro Brokers and Yagi Euro operate in the region through Yagi Euro (Hong Kong), which is similar in size to Martin Brokers (Hong Kong).

Mr David Hagan, Trio executive chairman, said: "The non-financial merger of our interests with those of our competitor will make a stronger unit." He expected the deal to be completed by the end of June.

Oxford Molecular \$3.25m buy

Oxford Molecular, developer of software for designing pharmaceuticals, has conditionally agreed to buy DPS Acquisition of the US, a subsidiary of Cray Research. It is paying \$3.25m (£2.13m) for the intellectual property rights relating to its UniChem software. Some \$3.5m of the purchase price will be satisfied by the issue of Oxford Molecular shares, the rest in cash.

Molecular has also concluded an agreement under which Cray will become a distributor of the UniChem software product, and Molecular will develop future versions of the product and receive a Cray supercomputer.

The proposed acquisition is partly conditional on the new ordinary shares being admitted to the Official List.

Westminster Health share sale

Tenet Healthcare Corporation, the US hospitals business, has disposed of its entire 42 per cent stake - for some £85m - in Westminster Health Care Holdings, which runs retirement and nursing homes.

The sale of the 26.9m shares was arranged via Tenet subsidiary NME International (Cayman). They were sold to Cazenove in a bought deal and placed with investment clients by Cazenove in conjunction with Collins Stewart.

Tenet's stake was reduced to 42 per cent when Westminster floated in 1993 and the US company agreed not to sell for three months after Westminster's rights issue last August.

GPG sells 850,000 Pico shares

Guinness Peat Group, the UK investment vehicle of Sir Ron Brierley, the New Zealand entrepreneur, is selling 850,000 shares in Pico, a US insurance and investment holding company to Ondaatje Corporation, the Canadian investment group. The sale will be made in two tranches for a total of \$15.3m (£10m).

GPG held 2.06m Pico ordinary shares, about 40 per cent, and at December 31 their book value was £5.56m. In 1995 GPG's share of Pico's income contributed £4.78m to pre-tax profits. GPG will retain 1.21 shares, representing 24 per cent, and Pico will accordingly cease to be an associate.

Anglo Pacific Resources slips

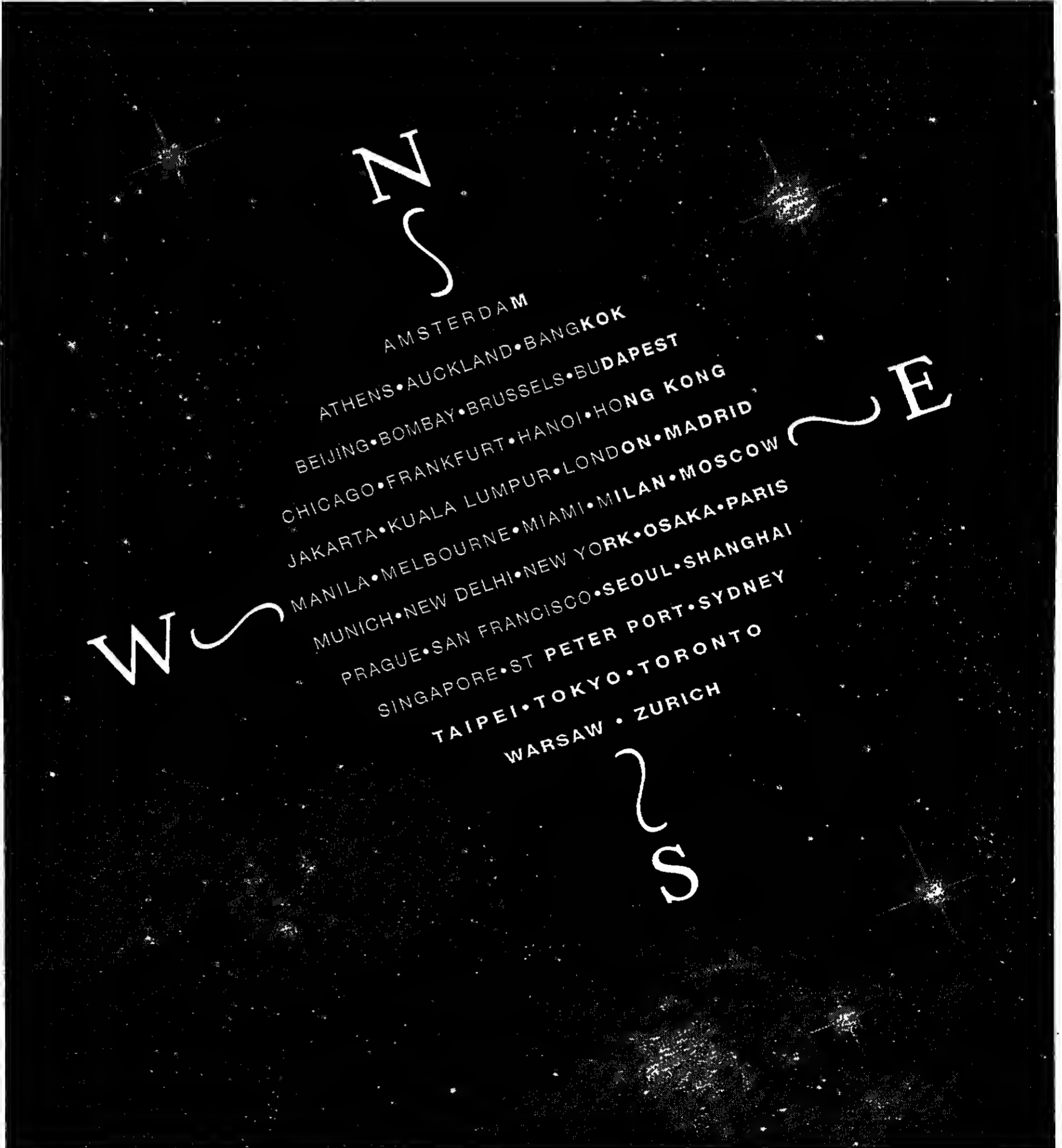
Anglo Pacific Resources, USM-quoted mineral exploration and coal group, slipped from a restated 1995 pre-tax loss into a deeper £6m loss for the year to December. It said Ledmore Marble, its UK explorer and developer, was mostly responsible and that it would be rationalised.

APR took a £1.8m restructuring charge for changes intended to make more money from its Australian coal operation and Fife Silica Sands, and to cut the size of its head office.

Sales slipped from £4.1m to £3.3m, and the operating loss increased from £479,000 to £2.8m, after a £3.49m cost of accelerated depreciation, mostly for Fife Silica Sands.

A change in accounting policies led to net assets being reduced by £22.2m to £9.5m; the group reversed last year's decision to revalue tangible and intangible assets after consulting its new auditors, Price Waterhouse.

Losses per share increased from 1.59p to 8.6p. The company is shortly to ask shareholders to agree to a reduction in share capital that will eliminate the deficit on the profit and loss account and allow the company to resume dividend payments. The company plans to take a full listing this year.



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COMMODITIES AND AGRICULTURE

Russia digs deep into platinum stocks

By Kenneth Gooding, Mining Correspondent

Russia dug deep into its stockpiles to export record quantities of platinum and palladium to the West last year...

Table with columns: Platinum, Palladium, 1995, 1994, 1995, 1994. Rows include Supply, Demand, Stocks change.

In 1994, the platinum price peaked at \$480 an ounce last year but was back to \$400 at the end of 1995...

dium stocks are quite a bit higher than those of platinum because Russia used very little palladium domestically...

Platinum demand last year rose to a record 4.79m ounces, according to JM, while supply was up by 10 per cent to 4.55m ounces...

Privatisation close for Philippine's Nonoc nickel mine

By Edward Luce in Manila

The Philippine government's long quest to privatise Nonoc, the country's largest nickel mine, will be sewn up this week when the operation is sold off to a British-led consortium...

Officials, who say the deal is likely to be signed on Thursday, estimate that it could cost as much as US\$300m to rehabilitate the mobilised operation...

PNG may float mineral company 'within months'

By Nikki Tait in Sydney

A flotation of Papua New Guinea's Mineral Resources Development Company could take place "within the next few months", Sir Julius Chan, PNG's prime minister claimed in Sydney yesterday.

The MRDC holds the PNG government's stakes in a number of large mining projects in PNG - including the Kutubou oil development, and the Ok Tedi, Porgera and Misima mines...

interest in MRDC could not realistically be attempted until PNG reached agreement with the World Bank over the second tranche of a "structural adjustment" programme designed to address the country's perilous economic situation.

even without the conclusion, [the float's] prospects are still very good," he said. He claimed that the spread of interests within MRDC should make it a stable investment vehicle and that the current gold price was also helping.

ing investment conference that there would be a moratorium on "any further amendments to PNG's policies governing the mining and petroleum sectors" until the year 2000 - assuming his government is re-elected next year.

MARKET REPORT LCE cocoa futures touch 8-year highs

London Commodity Exchange COCOA futures raced to eight-year highs in early dealings yesterday on investment fund buying and speculative covering.

The July contract closed 228 up on the day at £1,138 after touching £1,138 - the highest level since January 1988. Squeeze fears persisted, keeping the September contract at a high premium to March 1997.

Chicago grain prices bounce

By Laurie Morse in Chicago

Continuing rains and cool weather in the northern plains of the US Midwest hampered spring seedings over the weekend and helped boost grain prices at the Chicago Board of Trade yesterday morning.

US Department of Agriculture said farmers would reap just 1.36bn bushels of winter wheat this year, down 12 per cent from last year's poor harvest.

smaller than 200m bushels since 1963. However, the agency also said that record high prices for wheat would greatly expand spring wheat seedings in the northern plains this season, and would also inspire farmers to seed maize in areas where wheat had failed if there were timely rains.

COMMODITIES PRICES

BASE METALS

Table with columns: Metal, Price, Change. Rows include Gold, Silver, Copper, Zinc, Lead, Tin, Aluminium, Nickel.

Precious Metals continued

Table with columns: Metal, Price, Change. Rows include Platinum, Palladium, Silver.

GRAINS AND OIL SEEDS

Table with columns: Grain, Price, Change. Rows include Wheat, Corn, Soybeans, Barley, Maize.

SOFTS

Table with columns: Soft, Price, Change. Rows include Cocoa, Coffee, Sugar.

MEAT AND LIVESTOCK

Table with columns: Meat, Price, Change. Rows include Pork, Beef, Lamb, Hogs.

LONDON TRADED OPTIONS

Table with columns: Option, Price, Change. Rows include Gold, Silver, Copper, Zinc, Lead, Tin, Aluminium, Nickel.

LONDON SPOT MARKETS

Table with columns: Commodity, Price, Change. Rows include Crude Oil, Gasoline, Natural Gas, Rubber, Tin, Lead, Zinc, Copper, Silver, Gold.

PRECIOUS METALS

Table with columns: Metal, Price, Change. Rows include Gold, Silver, Platinum, Palladium.

UNLEADED GASOLINE

Table with columns: Gasoline, Price, Change. Rows include London, New York, Tokyo.

FUTURES DATA

Table with columns: Future, Price, Change. Rows include Wheat, Corn, Soybeans, Barley, Maize.

INDICES

Table with columns: Index, Price, Change. Rows include S&P 500, Nikkei, DAX, FTSE 100.

CROSSWORD

Crossword puzzle grid with clues. Clues include: 1 Office furniture (6), 2 Account for oriental's agitation (6), 3 Having written a note, break loose (6), 4 One is a high church official (8), 5 Draw water after all (6), 6 Left some absorbed in a legal document (8), 7 "Get all straight?" a quarter scooped (6), 8 The French interview a ten... (6), 9 Splitting granite for use (7), 10 Gifts of money no longer made (7), 11 Gather cheat is on edge (8), 12 Grounds for adjusting men's ties (8), 13 "... holding both his sides" (Milton) (8), 14 For tree-raising, pound in some day (6), 15 Abu one gets engaged in dealing (6), 16 Hand over the church keys (4).

1 Office furniture (6) 2 Account for oriental's agitation (6) 3 Having written a note, break loose (6) 4 One is a high church official (8) 5 Draw water after all (6) 6 Left some absorbed in a legal document (8) 7 "Get all straight?" a quarter scooped (6) 8 The French interview a ten... (6) 9 Splitting granite for use (7) 10 Gifts of money no longer made (7) 11 Gather cheat is on edge (8) 12 Grounds for adjusting men's ties (8) 13 "... holding both his sides" (Milton) (8) 14 For tree-raising, pound in some day (6) 15 Abu one gets engaged in dealing (6) 16 Hand over the church keys (4)

Solution to Saturday's prize puzzle on Saturday May 25. Solution to yesterday's prize puzzle on Monday May 27.

CURRENCIES AND MONEY

MARKETS REPORT

Political optimism pushes lira to 18 month high

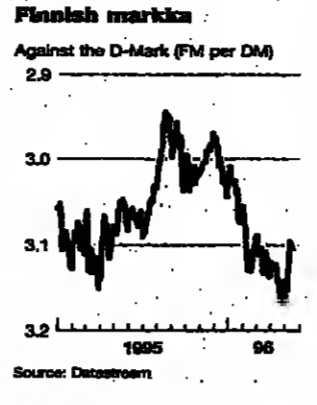
By Philip Gawth... Optimism about the formation of a new government yesterday helped the Italian lira reach its strongest level against the D-Mark since October 1994.

Despite its fairly tepid performance yesterday, the lira closed at L1,014 against the D-Mark in London, up from L1,023 on Friday.

second. And third... Having rounded on the faint-hearted, Mr Marber proceeded to affirm his own faith in a dollar rally.

recons that EMU is the key to the dollar rallying up to DM1.60... The markets are underestimating the fiscal drag on European economies.

of rising US inflation and an expanding trade deficit will start a "pronounced weakening trend" in the dollar.



Against the D-Mark (Fm per Dm)

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Country, Currency, Bid, Offer, Change, etc. Lists various international currencies and their exchange rates against the pound.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Country, Currency, Bid, Offer, Change, etc. Lists various international currencies and their exchange rates against the dollar.

OTHER CURRENCIES

Table listing exchange rates for various currencies including the Japanese Yen, Swiss Franc, and others.

WORLD INTEREST RATES

Table showing money rates for various countries (Belgium, France, Germany, etc.) with columns for term, rate, and repo.

EURO CURRENCY INTEREST RATES

Table showing Euro currency interest rates for various countries and terms.

GROSS RATES AND DERIVATIVES

Table showing exchange rates for various currencies (Belgium, Denmark, etc.) with columns for bid, offer, and change.

UK INTEREST RATES

Table showing London money rates for various terms (3 months, 6 months, etc.).

EMU EUROPEAN CURRENCY UNIT RATES

Table showing EMU European currency unit rates for various countries.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

EMU EUROPEAN CURRENCY UNIT RATES

Table showing EMU European currency unit rates for various countries.

BERKELEY FUTURES LIMITED advertisement with contact information.

MARGINED FOREIGN EXCHANGE TRADING advertisement.

WANT TO KNOW A SECRET? advertisement for I.D.S. Gann Seminar.

SPREAD BETTING ON OVER EIGHTY MARKETS advertisement for CITY INDEX.

OFFSHORE COMPANIES advertisement.

Petroleum Argus Daily Oil Price Reports advertisement.

APPOINTMENTS advertisement for Financial Analyst - Investment Banking.

Market-Eye advertisement.

St. George Bank advertisement for U.S. \$100,000 Floating Rate Notes.

NOTICE OF OPTIONAL REDEMPTION advertisement for DEVELOPMENT FUND OF ICELAND.

FAST 64 KBIT SATELLITE TECHNOLOGY advertisement.

FOREX, FUTURES, OPTIONS, EQUITIES, NEWS advertisement.

IF YOU WOULD LIKE TO ADVERTISE advertisement.

Financial Analyst - Investment Banking advertisement.

Market-Eye advertisement.

Financial Analyst - Investment Banking advertisement.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

BANKS, MERCHANT

Table listing companies in the Banks, Merchant sector with columns for company name, price, and change.

BANKS, RETAIL

Table listing companies in the Banks, Retail sector with columns for company name, price, and change.

BREWERIES, PUBS & REST

Table listing companies in the Breweries, Pubs & Rest sector with columns for company name, price, and change.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector with columns for company name, price, and change.

BUILDING MATS. & MERCHANTS

Table listing companies in the Building Mats. & Merchants sector with columns for company name, price, and change.

CHEMICALS

Table listing companies in the Chemicals sector with columns for company name, price, and change.

DISTRIBUTORS

Table listing companies in the Distributors sector with columns for company name, price, and change.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector with columns for company name, price, and change.

ELECTRICITY

Table listing companies in the Electricity sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Eqpt sector with columns for company name, price, and change.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector with columns for company name, price, and change.

ENGINEERING

Table listing companies in the Engineering sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of Electronic & Electrical Eqpt sector table.

ENGINEERING

Continuation of Engineering sector table.

EXTRACTIVE INDUSTRIES

Continuation of Extractive Industries sector table.

ENGINEERING - Cont.

Continuation of Engineering sector table.

EXTRACTIVE INDUSTRIES

Continuation of Extractive Industries sector table.

ENGINEERING - Cont.

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EXTRACTIVE INDUSTRIES

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EXTRACTIVE INDUSTRIES - Cont.

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EXTRACTIVE INDUSTRIES

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EXTRACTIVE INDUSTRIES

Continuation of Extractive Industries sector table.

ENGINEERING - Cont.

Continuation of Engineering sector table.

EXTRACTIVE INDUSTRIES

Continuation of Extractive Industries sector table.

ENGINEERING - Cont.

Continuation of Engineering sector table.

HEALTH CARE - Cont.

Continuation of Health Care sector table.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector with columns for company name, price, and change.

INSURANCE

Table listing companies in the Insurance sector with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector with columns for company name, price, and change.

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INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

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Continuation of Investment Trusts sector table.

Advertisement for Hewlett-Packard and Computacenter, featuring the HP logo and text: 'HEWLETT PACKARD Print leader, performance servers, managed desktops. From the UK's leading provider of distributed IT systems and services. Computacenter'.

Handwritten Arabic text at the bottom of the page: 'السوق المالية'.

LONDON SHARE SERVICE

150 مائة

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for name, price, and other financial metrics.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies with columns for name, price, and other financial metrics.

OTHER FINANCIAL - Cont.

Table listing other financial companies with columns for name, price, and other financial metrics.

PROPERTY - Cont.

Table listing property companies with columns for name, price, and other financial metrics.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for name, price, and other financial metrics.

AIM - Cont.

Table listing AIM companies with columns for name, price, and other financial metrics.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for name, price, and other financial metrics.

INVESTMENT COMPANIES

Table listing investment companies with columns for name, price, and other financial metrics.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for name, price, and other financial metrics.

OIL INTEGRATED

Table listing oil integrated companies with columns for name, price, and other financial metrics.

PHARMACEUTICALS - Cont.

Table listing pharmaceutical companies with columns for name, price, and other financial metrics.

RETAILERS, GENERAL - Cont.

Table listing general retailers with columns for name, price, and other financial metrics.

TOBACCO

Table listing tobacco companies with columns for name, price, and other financial metrics.

TRANSPORT

Table listing transport companies with columns for name, price, and other financial metrics.

WATER

Table listing water companies with columns for name, price, and other financial metrics.

AIM

Table listing AIM companies with columns for name, price, and other financial metrics.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for name, price, and other financial metrics.

RETAILERS, FOOD

Table listing food retailers with columns for name, price, and other financial metrics.

RETAILERS, GENERAL

Table listing general retailers with columns for name, price, and other financial metrics.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for name, price, and other financial metrics.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for name, price, and other financial metrics.

LIFE ASSURANCE

Table listing life assurance companies with columns for name, price, and other financial metrics.

MEDIA

Table listing media companies with columns for name, price, and other financial metrics.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for name, price, and other financial metrics.

Templeton advertisement: Seeking out under-valued investments across the globe. Templeton have become experts in spotting potential swans. HOW TO INVEST THE TEMPLETON WAY. AS EXPLAINED BY THE UGLY DUCKLING. Now you can share the investment principles which Templeton consider to be of enduring value to investors. For your copy of the Templeton Maxims: '10 Principles for Investment Success', please call free, during office hours on 0800 27 27 28.

AMERICANS - Cont.

Table listing American companies with columns for name, price, and other financial metrics.

AMERICANS

Table listing American companies with columns for name, price, and other financial metrics.

CANADIANS

Table listing Canadian companies with columns for name, price, and other financial metrics.

SOUTH AFRICANS

Table listing South African companies with columns for name, price, and other financial metrics.

GUIDE TO LONDON SHARE SERVICE

Price for the London Share Service delivered by FT Data, a member of the Financial Times Group. Company classifications are based on those used for the FT-SE 100 Index. Share prices are shown in pence unless otherwise stated. High and low are based on 52-week high and low. Where stocks are denominated in currencies other than sterling, this is indicated after the name. Symbols referring to listed shares appear in the notes column daily as they are published in the FT. Market capitalisation shown is calculated separately for each line of stock listed. Earnings used in calculations are based on Mid-Year Earnings Reports. Price-to-earnings ratios are based on latest annual reports and accounts and, where available, on updated interim figures. Dividends are based on interim dividends, unless otherwise stated. Estimated Net Asset Values (NAV) are shown for Investment Trusts, in pence per share, along with the percentage discount (D) or premium (P) to the current closing share price. The NAV does not account for changes in value due to currency fluctuations and is not intended for distribution. Includes the most actively traded stocks. This includes UK stocks where financial information is published continuously on the Stock Exchange Automated Quotation System (SEAQ) and non-UK stocks through the SEAQ International system. High and low are based on 52-week high and low. Where stocks are denominated in currencies other than sterling, this is indicated after the name. Symbols referring to listed shares appear in the notes column daily as they are published in the FT. Market capitalisation shown is calculated separately for each line of stock listed. Earnings used in calculations are based on Mid-Year Earnings Reports. Price-to-earnings ratios are based on latest annual reports and accounts and, where available, on updated interim figures. Dividends are based on interim dividends, unless otherwise stated. Estimated Net Asset Values (NAV) are shown for Investment Trusts, in pence per share, along with the percentage discount (D) or premium (P) to the current closing share price. The NAV does not account for changes in value due to currency fluctuations and is not intended for distribution.

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FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda funds including Fidelity Currency Funds Ltd, Royal Bank of Canada O/S Fd Mgrs Ltd, and various international and equity funds.

GUERNSEY (REGULATED)**

Table listing Guernsey funds including AJZ Invest Co (Guernsey) Ltd, Royal Bank of Canada O/S Fd Mgrs Ltd, and various international and equity funds.

BERMUDA (REGULATED)**

Table listing Bermuda regulated funds including Barmouth Investment Management, Barmouth International Management, and various international and equity funds.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey SIB recognised funds including AIB Investment Management (Guernsey) Ltd, Royal Bank of Canada O/S Fd Mgrs Ltd, and various international and equity funds.

IRELAND (SIB RECOGNISED)

Table listing Ireland SIB recognised funds including AIB Fund Management Ltd, Royal Bank of Canada O/S Fd Mgrs Ltd, and various international and equity funds.

IRELAND (REGULATED)**

Table listing Ireland regulated funds including AIB Fund Management Ltd, Royal Bank of Canada O/S Fd Mgrs Ltd, and various international and equity funds.

ISLE OF MAN (REGULATED)**

Table listing Isle of Man regulated funds including AXA Equity & Law Int'l Fund Mgrs, Royal Bank of Canada O/S Fd Mgrs Ltd, and various international and equity funds.

JERSEY (SIB RECOGNISED)

Table listing Jersey SIB recognised funds including AXA Equity & Law Int'l Fund Mgrs, Royal Bank of Canada O/S Fd Mgrs Ltd, and various international and equity funds.

LUXEMBOURG (SIB RECOGNISED)

Table listing Luxembourg SIB recognised funds including AXA Equity & Law Int'l Fund Mgrs, Royal Bank of Canada O/S Fd Mgrs Ltd, and various international and equity funds.

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ISLE OF MAN (SIB RECOGNISED)

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JERSEY (REGULATED)**

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FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4376 for more details.

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Table of offshore insurance products and prices.

MANAGED FUNDS NOTES: Detailed text providing information about the managed funds service, including contact details and terms of use.

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LONDON STOCK EXCHANGE

MARKET REPORT

Shares depressed by shift of stance in utilities

UK shares were dealt a serious blow by the Ofgas report into price controls at Transco, the pipelines subsidiary of British Gas. A much harsher than expected review of Transco tariffs stunned the stock market, which immediately chopped its quotations for Gas shares and prompted widespread unease across the utilities sector.

Haunted by the Gas news, the UK market was always struggling to make headway and the FT-SE 100 index eventually ended the session a net 15.2 lower at 3,738.2, near its low for the day. Second line stocks were more resilient but could not ignore the implications of the Ofgas report, which affected the other utilities. The FT-SE Mid 250 index settled 0.4 off at 4,512.4.

The daunting news about British Gas cast something of a shadow across the market. Dealers said the FT-SE 100 had earlier kicked off in relatively good heart, lifted by the prospect of more takeover activity across many sectors and also by the excellent showing by Wall Street on Friday evening. Then, the Dow Jones Industrial Average closed with a 43-point advance.

Earlier, the market had to contend with the lack of any bid news, which was only partly offset by confirmation that Standard Life, the mutual insurer, was looking at selling on its 32.5 per cent stake in Bank of Scotland, a story that first circulated around a month ago.

It was not all bad news for the market, however. A handful of the leading retailers came in for keen support, notably Next and Burton, both of which are due to report to shareholders later this week.

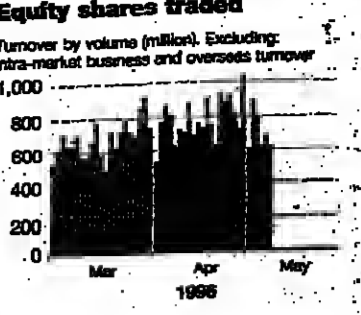
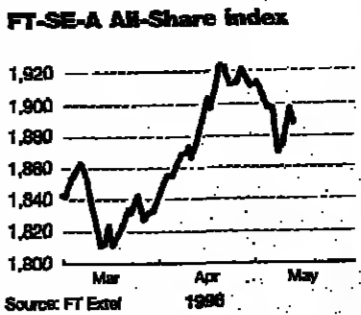


Table with 2 columns: Indices and ratios, and Best performing sectors. Includes FT-SE 100, FT-SE Mid 250, FT-SE All-Share, and various sector performance metrics.

Regulator blues hit Gas

It was a day of black superlatives for British Gas. Shares in the utility recorded one of their biggest ever one-day falls. The slide of 27 to 201p took them to their lowest level for six years and accounted for half of the fall in the FT-SE 100 index.

Bank of Scotland jumped 14 to 252 1/2p, HSBC 5 to 963p and Abbey National 6 to 562p. Building materials leader Caradon had another eventful session, with sentiment looking very ragged ahead of today's annual meeting.

Caradon had another eventful session, with sentiment looking very ragged ahead of today's annual meeting. The group is heavily geared towards the refurbishment side of the trade and doubts about volume trends were rife among dealers yesterday.

Whitbread nudged up 3 to 745p on media reports that it was near to securing a long term licensing agreement with InBev, the Canadian brewer. Bass moved forward 6 to 790p on the back of the reports, although analysts had widely varying explanations of how the changes at Whitbread would affect the industry and Bass in particular.

Health club sector, for £19.75m. Sentiment in the stock was further enhanced by a statement from the company in which it reiterated its target of 15 per cent annual earnings growth without the need for further major acquisitions.

FUTURES AND OPTIONS

Table showing FT-SE 100 INDEX FUTURES (LFFE) and FT-SE 100 INDEX OPTION (LFFE) prices and movements for various months.

MARKET REPORTERS:

Peter John, Joel Kibzewo, Jeffrey Brown, Lisa Wood.

TRADING VOLUME

Table showing Major Stocks Yesterday with columns for stock name, price, and volume.

Financial Publishing advertisement for 'INSURANCE' newsletters. Includes text about the insurance market and a list of 15 newsletters available for purchase.

LONDON RECENT ISSUES: EQUITIES

Table listing recent equity issues in London, including company names, issue sizes, and prices.

FT GOLD MINES INDEX

Table showing the FT Gold Mines Index and its components, including gold prices and index values.

FT-SE Actuaries Share Indices

Table showing FT-SE Actuaries Share Indices for various sectors like Insurance, Pensions, and Life Assurance.

The UK Series

Table showing The UK Series indices, including FT-SE 100, FT-SE Mid 250, and FT-SE All-Share.

Hourly movements

Table showing hourly movements in the FT-SE 100, FT-SE Mid 250, and FT-SE All-Share indices.

FT-SE Actuaries 350 Industry baskets

Table showing FT-SE Actuaries 350 Industry baskets for various sectors like Banking, Insurance, and Retail.

Large table showing FT-SE Actuaries Share Indices for 350 different industry sectors, including Banking, Insurance, and Retail.

WORLD STOCK MARKETS

Main table of world stock markets including sections for EUROPE, ASIA, OCEANIA, SOUTH AMERICA, AFRICA, and NORTH AMERICA. Each section lists various stock indices and individual company shares with their respective prices and changes.

Indices and Futures section containing tables for various stock indices (e.g., Dow Jones, Nikkei, FTSE 100) and futures contracts, including their current values and daily changes.

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Advertisement for Rockwell avionics featuring the text 'Every major world airline flies with Rockwell avionics' and the Rockwell logo.

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NEW YORK STOCK EXCHANGE PRICES

4 pm close May 13

Main table of stock prices with columns for stock name, price, and change. Includes sub-sections for 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

Advertisement for Hewlett-Packard with text: 'Perfect synergy. If the business decisions are yours, the computer system should be ours. http://www.hp.com/go/computing' and the Hewlett-Packard logo.

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4 pm close May 13

NYSE PRICES

4 pm close May 13

NASDAQ NATIONAL MARKET

4 pm close May 13

Table of NYSE stock prices, including columns for stock name, price, and change.

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AMEX PRICES

4 pm close May 13

4 pm close May 13

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Advertisement for 'Have your FT hand delivered in Finland.' Includes text about hand delivery services and contact information.

Advertisement for 'Gain the edge over your competitors by having the Financial Times delivered to your home.' Includes text about home delivery services and contact information.

TECHNOLOGY

A computer spots an international terrorist trying to enter the US and alerts officials; smart televisions know exactly what viewers watch through a camera mounted on top of the set; a criminal attempting to use a stolen credit card is caught because the machine does not recognise his face.

All of these scenarios - images both comforting and alarming - may soon become reality. Face-recognition technology, long in development, is finally approaching practical application and may soon achieve widespread use.

One of the best systems has been put together at the Massachusetts Institute of Technology's Media Laboratory, where Alex Pentland has constructed an artificial brain blessed with what is referred to as "visual intelligence".

This summer, the state of Massachusetts will roll out a program based on the MIT system - dubbed Photobook - to identify people who use multiple identifications to commit fraud.

British Telecommunications, which provides partial funding for the Media Lab work, is developing a security system based on the technology. The US Army is interested in using Photobook for a secure-entry system.

Kodak and Sensormatic, a large US security firm, have also expressed interest. Pentland has even been called to the White House to explain how his technology could combat terrorism.

In the future, the program could help find missing children and provide extra security for ATM and credit card users. Tiny computer cameras that can be mounted on top of the screen for just \$100 (99p) make it possible to use Photobook on the Internet to verify identification for electronic purchases and track down online pornographers.

Although the Big Brother aspect may be troubling to



Facial lines: the computer recognises faces in a completely different way from people, with advantages and disadvantages over the human brain

'I know that face'

Victoria Griffith on a computer system with 'visual intelligence'

some, to others it will provide comforting security.

Some of Pentland's suggestions for Photobook border on the bizarre. He dreams of a front door camera that announces the identity of the person outside. "Wouldn't it be great if the camera could tell us it's an insurance salesman outside," he asks.

Pentland has also built the prototype of a pair of spectacles with a tiny camera attached, to whisper the names of people he has already met. "That's great for me because I have a bad memory for names," he explains.

The way in which the human brain recognises faces is largely a mystery. In some unknown way, people match hair colour, eye shape, nose size and other information to stored images of friends, family and acquaintances.

Because the mechanism is not well understood, Pentland says, he had no hope of replicating it. "Before I did my research, people had tried to teach computers to recognise

faces based on human-like perceptions, such as bushy eyebrows," he says. "But they never had much luck."

Pentland instead took a highly analytical approach to the problem. The computer, he explains, recognises faces not by individual features, but in a holistic manner. To start with, Photobook breaks the image into pixels that make up an image on the screen. The pixels represent a simplified version of the face, resembling a map of various shades, colours and shapes. Photobook's typical face, for instance, is made up of 16,000 pixels.

The computer normalises photographs of people to compensate for differences in lighting, distance and other factors. It then selects the facial features that can most easily distinguish one face from another. Researchers call these features "eigenfaces". Eigen means "real" or "true" in German.

'I'm trying to get the computer to recognise not just a face, but what mood a person is in or the gestures he or she is making'

The information is stored; when an image of the person is fed through the program, the computer compares the eigenfaces to come up with a match. Because the information is digitally compressed to take up less space in the computer's memory, the match can take place within a few seconds.

Pentland says he has achieved nearly 100 per cent accuracy in tests with databases containing 3,000 faces, although critics say those tests were performed under ideal circumstances, such as uniform light.

Because the computer recognises faces in a way completely different from people, it has advantages and disadvantages

over the human brain. Photobook is less good than humans in recognising those closest to us. Close friends and relatives, for instance, can train their eyes to distinguish subtle differences in the features of identical twins, for instance.

"That's way beyond the capability of the computer," says Pentland. "To the program, identical twins are the same person."

Yet computers have the benefit of being able to keep a huge number of images in their data banks. It is beyond the capability of most humans, for instance, to match names to a databank of thousands of different faces.

The computer is also better at seeing through disguises. "You would probably recognise me tomorrow if you saw me walking down the street as I am now," says Pentland, a bearded redhead. "But if I shave my beard, dye my hair black and put on sunglasses, you probably wouldn't."

Because the computer registers unchangeable features

such as eye sockets, it can usually override a disguise. "Or if it couldn't identify the face definitively, it would at least suggest a possible match," says Pentland.

He is now seeking to build a program to recognise faces in even greater detail, creating "eigenfeature" maps in addition to the "eigenfaces". The enhanced capability could prevent terrorists, for instance, from escaping recognition by undergoing plastic surgery.

"The advantage of using the computer for this type of purpose is that there are not that many known terrorists worldwide," says Pentland. "It's the same with drug smugglers - there are usually just a few hundred people causing all the trouble, so it's easier to add detail into that sort of a program."

Sensormatic, one of the companies interested in Pentland's work, says it is looking to develop a product soon using the eigenface technology. "We'd use it for access control systems, which would identify people for admission to high-security buildings," says Hap Patterson, Sensormatic's R&D director.

With the Photobook project up and running, Pentland is looking at other visual intelligence challenges. "I'm trying to get the computer to recognise not just a face, but what mood a person is in or the gestures he or she is making."

The new technology would have different applications from Photobook. Pentland is talking to car makers Nissan, Volvo and Mercedes-Benz about the possibility of making a car that recognises when the driver is falling asleep, for instance. The idea is that the car would set off an alarm or create some other stimulus to wake the driver up.

Pentland has also created a computer that recognises simple hand motions. He is using this technology in a new Media Lab project called the "Smart Room", which can interpret the wave of a hand as a signal to change the television channel or lower the volume, for instance.

Pentland admits that some aspects of his research can be frightening. In fact, he got started on the project when Arbitron Company, the main competitor of television rating group Nielsen, asked Pentland's boss Nicholas Negroponte, to develop a way to identify exactly who was watching certain television shows.

"Some people saw this as an Orwellian nightmare, although the reason it hasn't yet been used has more to do with price," he explains. While some may feel uncomfortable with the idea, increasing anonymity has introduced an aspect of danger to the world.

In the past, human beings spent their days interacting with people long familiar to them. Today, parents hand their children over to caretakers they met a short time before, open their front doors to delivery people they do not know, and wonder if the person sitting next to them on the plane could be a terrorist.

Keeping a watchful eye on security

In the film *Never Say Never Again*, a camera lens zooms up to James Bond's eye to verify his identity by his iris pattern.

ATM users in Japan may soon feel like agent 007. Sensor, a New Jersey-based subsidiary of the David Sarnoff Research Centre, has clinched a \$26m (£17m) deal with Oki Electric of Tokyo for technology to verify users' identities by examining their irises.

Oki, one of the largest ATM manufacturers in the world, hopes to incorporate the system in its machines by early next year.

Sensor says that it is negotiating deals with other ATM makers as well.

The new technology, developed in the UK by John Dagnan, a scientist at Cambridge University, uses iris patterns to recognise identity. "Iris patterns are even more unique than fingerprints," says Dagnan. "I don't even use colour, because there are so many other distinguishing marks."

Dagnan's method is similar to that used by Alex Pentland at the Massachusetts Institute of Technology for face recognition. The camera uses algorithms to make simplified maps of the iris, then stores the image digitally in the computer's database. When the computer sees the iris again, it scans its memory to make a match.

One advantage of iris over face recognition is that the markings of the eye are more variable than facial features. Even identical twins have distinguishable irises.

Another benefit is that the camera knows when it is seeing a live eye because the pupil oscillates. "You can't just hold up a photograph of someone's iris," said Dagnan. "The computer will know it's a fake."

However, the technology has drawbacks. For one thing,

users have to take off their sunglasses for the system to work.

The system also suffers from an annoying characteristic in that, because the iris is a small organ, the camera has to come very close to the eye to provide positive identification.

You can get people in the military, maybe, to put up with a camera lens right in front of their eye, but ATM users won't stand for that," says John Siedlarz, chief executive of Iriscan, the company that markets and licenses Dagnan's technology.

Oki will solve that problem by making ATM customers insert a card first. Because the card tells the computer who the user is, the camera merely needs to confirm that fact. That is a far easier task than finding a database match using the image of the iris alone. For that reason, the system will work even if the user is up to 3ft away.

Dagnan is now tackling the next step, which is to use the technology for positive identification even when the subject is a reasonable distance from the camera. In the future, he hopes, ATM users will not even need a card to access their account.

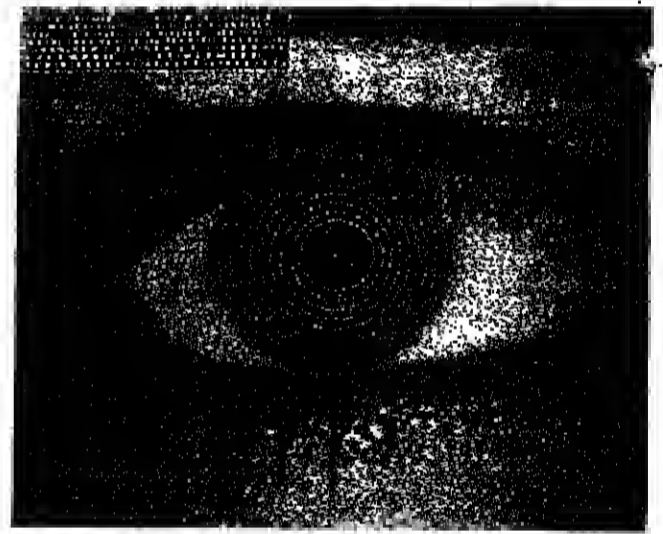
Even if ATM manufacturers adopt the technology, it may take some time for it to become widespread.

"We don't see banks going out and retrofitting all their ATM machines, but we do see them replacing old machines with ones that have iris recognition devices," says Siedlarz.

Iriscan is also looking to sell its recognition programs for secure entrance to buildings and military bases, where real secret agents may soon be identified by their iris pattern.

Real life does sometimes imitate fiction.

Victoria Griffith

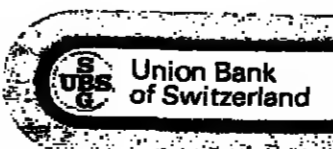


Having a good look: illustration of a computer iris code

WE AREN'T SHOWING ANY photographs of imposing mirror-glass buildings. No Swiss mountains either. Our clients know that we're strong, have healthy growth, and will be around to meet their needs for a long time to come. To them, this is the most important picture.

UBS, founded in 1862, group assets \$ 336 bn, shareholders' equity \$ 21 bn, cash flow \$3 bn, Corporate and Institutional Finance, Private and Institutional Asset Management, Trading, Sales and Risk Management.

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CONTRACTS & TENDERS

THE DEPARTMENT OF EDUCATION AND EMPLOYMENT AND THE CAREERS SERVICE

The work of the Careers Service is more important than ever before. Young people must receive the help they need to secure the next step in education, training or employment that is right for them so they can realise their full potential.

Following three rounds of competitive tendering, virtually all careers services are being run by independent companies under contract. Early evaluation indicates that careers services are now more customer focused, have increased management flexibilities and more influence in local economic development. In order to build on this improvement, first round "Pathfinder" contracts, which are due to expire in March 1997, are being offered for re-tender for a five year period along with the single London area comprising the Boroughs of Barnet, Enfield and Haringey.

The Secretary of State for Education and Employment wishes to invite bids from organisations to provide the Careers Service in the following areas in England from April 1997:

- Area 1: The City of Bristol Council, South Gloucestershire District Council, North Somerset District Council and Bath and North East Somerset District Council. (Formerly known as the County of Avon).
- Area 2: Gloucestershire County Council
- Area 3: Surrey County Council
- Area 4: Bedford County Council and Luton District Council
- Area 5: Birmingham City Council
- Area 6: Black Country (one area comprising the Metropolitan Boroughs of Dudley, Sandwell, Walsall and Wolverhampton)
- Area 7: The County Council of Leicestershire, Leicester City Council and Rutland District Council
- Area 8: The County Council of North Yorkshire and City of York Council
- Area 9: Cumbria County Council
- Area 10: Metropolitan Borough of Oldham
- Area 11: Metropolitan Borough of Wigan
- Area 12: County Council of Northumberland
- Area 13: Sunderland City Council
- Area 14: One area comprising the London Boroughs of Barnet, Enfield and Haringey

Prospectus

If you are interested in finding out more, the next step is to obtain a copy of the prospectus by phoning 0145 44 00 55. Bidding organisations need not currently be based in the area(s) for which they wish to bid. The closing date for the receipt of bids is 9 September 1996.



السنة الأولى من التعليم

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FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Tuesday May 14 1996

An Indian conundrum

The remarkable process of voting in the world's largest democracy is over, and the painful period of bargaining over a new government has only just begun. India's voters have yet again disproved the sceptics who never believed that democracy would survive there for 15, let alone almost 50 years of independence...

Budget deficit

Most members of the NLF represent the poor and dispossessed in Indian society. Although its members have proved pragmatic in power in the states - such as West Bengal - such a coalition would severely test the assumption that the current economic reforms enjoy a broad national consensus...

Foreign investment

The business community is inclined to favour the free-market policies of the Hindu nationalist Bharatiya Janata Party (BJP), in spite of its hostility to foreign investment in the consumer goods sector (but not in high technology and infrastructure)...

Turning up the heat on gas

It was inevitable that British Gas would clash with its regulator Ofgas over the latest proposals for controls on gas prices. It is almost inevitable that the row will now go to the Monopolies and Mergers Commission. Most of Ofgas's reasoning is sensible...

Independent regulation

First, the value of having regulators who are robustly independent of the government is clearer than ever. TransCo says the proposals threaten the jobs of half its 20,000 employees. That may perhaps be true, but such threats emphasise why pricing reviews are controversial...

But there is one central point at which its reasoning looks muddled: the definition of the asset values on which it calculates the overall return. Ofgas says that, in principle, it would like to use the stock-market value at privatisation...

Valuation basis

This is very odd. True, any basis for selecting an asset value is arbitrary and problematic. The historic cost of the assets may bear no relation to the earnings they can generate, while using market

BAe-Matra: ready to launch

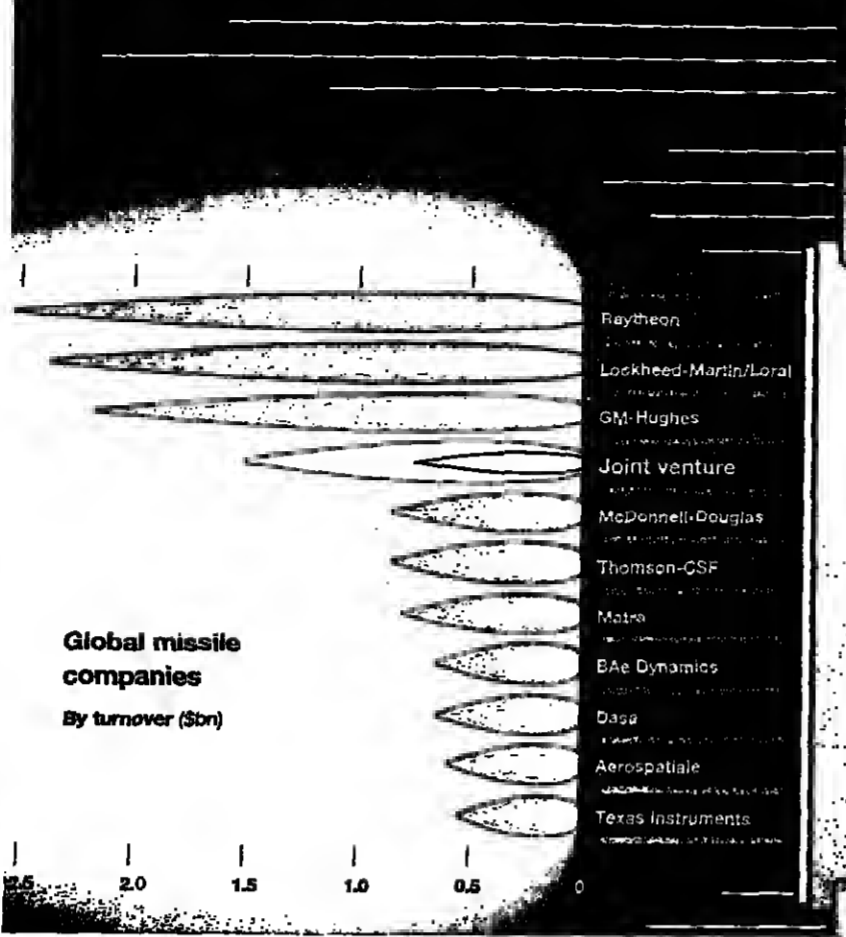


Table comparing missile ranges between Matra Defence, BAe Dynamics, and other companies across categories like Air to air, Air to ground, Anti-ship, etc.

An elusive moving target

Consolidation in the European defence industry is still some way off, in spite of yesterday's Anglo-French missile merger, says Bernard Gray

Issuing threats is a delicate art, as those involved in negotiating the merger of the missile businesses of British Aerospace and Matra, the defence arm of the French conglomerate Lagardere, have been discovering. Apply too little pressure and the target is not intimidated...

Ministers are also aware that the UK needs to demonstrate its commitment to the European industry after several recent high-profile procurement decisions to buy American. If the joint venture goes ahead, it would create the largest European missile group measured by turnover...

operations with those of Thomson-CSF - a natural fit. Perhaps, less probably, it could decide to break up Thomson-CSF, selling the missile operations to the Matra-BAe joint venture, for example. Since none of the companies vying for position knows what the outcome will be, each is attempting to keep its options open by expressing an interest in every possible opportunity...

OBSERVER

Let Rome in Tiber melt

Many horrified Romans are already making plans to vacate their city during the year 2000, when an estimated 40m visitors are expected to deck the town in wreaths of piety, celebrating the founding of Christianity...

pinks, blues and yellows) and would be separately leased. Presumably they could go on roving exhibition around the world. Or just be smashed up and melted down, who knows?

Capital idea

Someone, at least, thinks Frankfurt is bursting with young expatriates who lead a "terrifyingly active" life after working hours. His name is Chris Hamley, and he's launching Rhein-Main News, a weekly magazine designed to relay local news, events and gossip to English-speaking readers holed-up in Germany's financial capital...

slodgy German newspapers". The cover story of the first issue - departing alarmingly from its otherwise upbeat advertising script - shows a young man gazing wistfully at the Rhine, with the headline: "Desperately seeking someone. The truth about Frankfurt's singles".

Gowrie's gifts

A change of tack for Britain's Lord Gowrie, who had been squirrelling away the non-executive directorships since he moved two years ago from the chairmanship of Sotheby's Europe to his unpaid post as chairman of the UK's Arts Council. Yesterday, he cashed in his chips at Ladbrokes and left the board, to which he has belonged since July 1988...

unsightly \$3.5 per cent since the summer of 1988.

Off a duck's back

In South Africa tonight, Pello Jordan may be cracking open a bottle or two. He may even drink a toast to F.W. de Klerk, for making some space in Mandela's cabinet. At the end of March the sharp-minded Jordan was dumped from his key portfolio of post and telecommunications, in a move that some insiders at the time regarded as a slapped wrist for having dared to criticise - albeit sotto voce - the great man and his deputy, Thabo Mbeki.

Ballot-box bonuses

As India's main parties scramble to form a coalition with independents, the gossip in New Delhi is that the purchase price of a "floating MP" prepared to "help" a party to form government amounts to the equivalent of some £1m. It does not stop there. The word is that there are some meaty bonuses for those floaters bringing others along with them. Roll out the (pork) barrel.

Financial Times

100 years ago

The Sicilian sulphur industry One of the chief questions now engaging the attention of the Cabinet is that of the amelioration of the sulphur industry of Sicily, which is in a very depressed condition owing to the competition of pyrites for the production of sulphuric acid...

50 years ago

Mexican Railway Co. sold New York, 18th May: The British-owned Mexican Railway Company which operates between Mexico City and Vera Cruz has been sold to National Railways of Mexico according to a dispatch from Mexico City. Although the terms have not been announced, it is understood that a cash payment by Mexico and delivery by the British management will take place this week. Mexico is to pay the British an estimated amount of 48,000,000 pesos (approximately £2,450,000 at current rates), which is said to represent about one-fourth of what the construction of the line cost.

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